

FINANCIAL TIMES

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FRIDAY MAY 6 1994

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Yemen nearer to civil war as jets hit rival capitals

Yemen edged closer to civil war as northern and southern army units battled each other in the streets and air force jets pounded rival capitals. Residents in Sanaa, Yemen's federal capital, said southern air force jets struck the international airport and the presidential palace.

Yemen, one of the poorest countries in the Middle East with a modest oil production, has been plagued by political rivalry since Marxist South Yemen and tribal, conservative North Yemen merged four years ago. Page 16

Recovery boosts Kohl's German chancellor
Helmut Kohl appeared to have reversed the trend of declining popularity both for himself and his Christian Democratic Union, in line with indicators showing a revival of economic activity. Page 16

News Corporation, Rupert Murdoch's media and publishing group, announced a 27.6 per cent increase in profits after tax but before abnormal items, to \$552.5m (\$500m) in the nine months to end-March. Page 17; Lex, Page 16

Singapore caning sentence carried out

US citizen Michael Fay (left), 18, was given four strokes of the rotan, a 4ft cane, in Singapore following his conviction for vandalism offences, including spray painting cars. President Bill Clinton condemned the caning, saying Singapore had made "a mistake". Singapore's ambassador to the US was summoned to the state department to receive US protests. Page 4

Dispute over AES bid for energy grant
A bid by Asea Brown Boveri, Europe's biggest electrical engineering company, to participate in a US programme to develop the next generation of turbines is running into opposition from General Electric, its largest US competitor. Page 5

Fiske subpoenas White House files
Whitewater special prosecutor Robert Fiske subpoenaed all White House files pertaining to Vincent Foster, the deputy White House counsel who police say killed himself last summer.

Palestinians prepare for self-rule
An advance team of Palestinian policemen toured the Gaza Strip amid fears the Palestine Liberation Organisation would not be able to implement swiftly its self-rule agreement with Israel. Page 16; PLO denies being unruly. Page 4

Rhône-Poulenc, French chemicals and pharmaceuticals group privatised last year, reported a sharp fall in first quarter net profits to FF189m (\$32.4m) from FF876m in the first three months of 1993. Page 17

Russian electoral fraud alleged
Last year's referendum which approved the Russian constitution was invalid because 50 per cent of voters did not take part, according to a report which alleges massive corruption at every level of vote counting. Page 3

Socialist MEPs' boycott infuriates Italy
Socialist Euro-MPs provoked a furious reaction from Italy's president after voting to boycott any Italian neo-fascists taking part in EU institutions. Page 2

Listing for PT Indosat
Indonesia is to list 25 per cent of PT Indosat, state-owned telecommunications group, in New York and has hired Merrill Lynch as lead underwriter. Page 17

Party of dictators set for Panama win
The party of Panama's former military dictators, Omar Torrijos and Manuel Noriega, is heading into Sunday's presidential elections as favourite to provide the country's next head-of-state. Page 6

Turkey acts on banks
The Turkish government moved to restore confidence in the banking system in the wake of recent bank collapses, announcing it would provide unlimited deposit insurance cover in the case of a bank going under. Page 2

Market fears over Sri Lanka
Sri Lankan shares have fallen sharply amid concerns about the stability of president D.B. Wijetunga's government. Page 4

Firefighters suspected in Malibu blaze
A Los Angeles firefighter was taken off active duty and another suspended after investigators blamed them for setting last year's \$75m fire that killed three people and destroyed 350 homes.

STOCK MARKET INDICES

FT-SE 100: 1,162.0 (35.5)
Yield: 3.91
FT-SE Europe 100: 1,448.10 (1.42)
FT-SE-A-AN Share: 1,572.45 (0.9%)
Nikkei: closed
New York: closed
Dow Jones Ind Ave: 3,706.08 (8.33)
S&P Composite: 422.95 (40.30)

US LUNCHTIME RATES

Federal Funds: 3.4%
3-mo Treas Bill: 4.057%
Long Bond: 6.7%
Yield: 7.322%

LONDON MONEY

3-mo interbank: 5.4% (same)
Life long gilt future: Jun 1994: 101.0121

NORTH SEA OIL (Average)

Brent 15-day (June): \$15.72 (15.79)
 \$ index: 65.4 (65.2)
 Tokyo closed

Austria	SalzG	Greece	DGSE	Lat	LP46	Qatar	QRI3.00
Bahrain	Dn1.250	Hong Kong	HYS18	Mali	LM0.60	S. Arabia	SP11
Bulgaria	BF46	Hungary	F186	Morocco	MD185	Singapore	SG4.30
Cyprus	CY1.10	India	AG215	Man	R 4.00	South Africa	SA12.00
Czech Rep	CZ40	Israel	IS40	Nepal	NE40	Spain	SP225
Denmark	DK16	Italy	IS40	Norway	NR17.00	Sweden	SE10
Egypt	EG5.00	Japan	Y500	Pakistan	PK40	Switzerland	CH1.00
Finland	FI14	Jordan	JR1.50	Poland	PL20	Turkey	TR1.00
France	FR16.00	Kuwait	KW1.50	Romania	RO1.00	Ukraine	UA1.00
Germany	DM10.00	Libya	LY1.50	Portugal	PT20	UAE	UAE12.00

ANC close to crucial two-thirds majority in poll

By Michael Holman and Mark Suzman in Johannesburg

South Africa's Independent Electoral Commission is expected to release final results today confirming the overwhelming victory of Mr Nelson Mandela's African National Congress in last week's all-race poll.

Any further delay in the count could upset the timetable leading to Mr Mandela's inauguration as president next Tuesday. Leaders of all parties regard it as unthinkable that the event, expected to be attended by more than 40 presidents, prime minis-

ters and other leading state representatives, should be postponed.

The latest official count, based on figures made available last night, showed the ANC edging further towards the two-thirds majority in the 400-member National Assembly that would give it the power to draft the country's constitution.

The commission's latest batch of figures, encompassing more than 70 per cent of the estimated electorate, showed the ANC consolidating its lead with 65.4 per cent of the vote. The National party, led by outgoing president

F.W. de Klerk, was second at 20.3 per cent and the Inkatha Freedom party third on 7.9 per cent.

The assembly is required to draw up a new constitution which will be the basis of the next election, due to take place by 1996. The principles of this constitution, however, have already been agreed in the course of multi-party negotiations which ended late last year.

The strong support for the ANC will also reinforce its dominance of the cabinet, where posts will be allocated according to the parties' electoral showing. Mr Mandela has hinted, however,

that he will offer ministries to the conservative Freedom Front, the liberal Democratic party and the radical black Pan Africanist Congress, although none is likely to achieve the minimum 5 per cent of the vote required for cabinet representation.

The Freedom Front's share stood last night at 2.2 per cent while the DP had 1.6 per cent and the PAC 1.3 per cent. This was based on 18.4m votes counted out of an estimated turnout of close to 23m.

Acknowledging that counting continued to be slow, the commission said the need to verify

the tallies was holding up the process.

The decision on Wednesday by Mr Justice Johann Krieger, head of the IEC, to allow the parties to interpret disputed ballots according to a complicated weighting system attracted vigorous criticism yesterday.

In a front-page editorial, Business Day newspaper accused Mr Justice Krieger of "dissembling" and hiding "the full truth of the political deals he has helped cut with major parties from the millions of voters whose commitment and hope gave the election its value."

Jittery markets dropped further on the lack of new information. The financial rand, the main barometer of international investor confidence, shed 6 cents in London to close at R4.79 to the dollar, a decline of nearly 5 per cent over the past two days. The stock market's overall index finished 22 points down at 5,231.

"The mood's very nervous at the moment," observed one broker. However, the gloom was partially offset by an announcement from President Bill Clinton that US aid to South Africa would total \$600m over the next three years.

Blow to Spanish PM as former finance and interior ministers resign seats in Cortes

González vows to stay on and fight corruption

By David White in Madrid

Mr Felipe González, the Spanish prime minister, stated firmly yesterday that he intended to maintain his hold on government and to tackle the corruption cases at the source of the country's political crisis.

He said it would be "an irresponsible act" to resign and rejected a snap election. He was nevertheless badly wounded when his former finance minister and political soul-mate, Mr Carlos Solchaga, quit as leader of the ruling Socialist parliamentary party and resigned his seat in the Cortes.

Mr Solchaga's appointment last year was an important element in Mr González's effort to weaken the grip leftwing Socialists had enjoyed over the parliamentary party for more than a decade.

His position had been called into question because of his staunch backing, as finance minister, for Mariano Rubio, the former Bank of Spain governor who now faces fraud charges.

Mr González's statement, broadcast live on television and radio, came after reassurances from Catalan and Basque regional parties that they did not intend to destabilise the minority Socialist government.

His appearance brought relief to nervous securities and foreign exchange markets. The Madrid

general share index rose 1.5 per cent, regaining most of the ground lost on Wednesday because of the crisis, and the peseta recovered somewhat after falling sharply against the dollar and D-Mark.

Mr González rejected the idea of a wider cabinet reshuffle after the resignation of his interior and agriculture ministers in connection with corruption scandals.

Mr Rubio and Mr Manuel de la Concha, a former stock exchange head who handled his investment portfolio, were remanded in custody without bail at Madrid's Carabanchel prison yesterday after being arrested on Wednesday night.

A former interior minister, and close González ally, Mr Jose Luis Corcuera, also resigned his parliamentary seat yesterday because of his connection with Mr Luis Roldan, ex-chief of the paramilitary Guardia Civil, who went missing last Friday. An international arrest warrant has been issued for Mr Roldan alleging tax fraud, bribery, misappropriation and other offences.

The latest resignations will not affect the parliamentary balance since the Spanish system provides for the seats to be filled by the same party.

Mr González held talks early yesterday in Madrid with Mr Jordi Pujol, leader of the Catalan nationalist party whose support



Felipe González: determined to fight the corruption allegations at the heart of Spain's political crisis

the Socialists rely on to carry a majority in parliament. He assured Mr Pujol the government would press ahead with a free-market economic programme and combat corruption.

Expressing confidence that the government had the support it needed, Mr González dismissed suggestions that he would be a "hostage" to Catalan demands. He said there was no reason for early elections, nor for a confidence vote now in parliament, although he did not rule this out.

Mr González accepted that the government was going through "a bad moment" and that confidence had been undermined.

Mr Juan Alberto Belloch, 44-year-old justice minister, was appointed to take over the interior-ministry in a combined portfolio. The new agriculture minister is Mr Luis Atienza, 36, now undersecretary for energy.

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Markets recover, Page 2

Respite for dollar ahead of jobs data

By Philip Gawith in London and Patrick Harverson in New York

The US won some respite in its battle to defend the dollar yesterday, as many investors took to the sidelines ahead of important US April jobs data today.

The dollar was firmer in quiet trading on the foreign exchanges, with some traders clearly chastened by Wednesday's concerted round of intervention by more than 15 central banks to back the ailing US currency.

"The market's clearly taking a pause to see what happens with the [jobs] numbers," said Mr Steve Geovannis, head of foreign exchange trading at Merrill Lynch in New York.

By 1pm in New York, the dollar was up almost 1 penny against the D-Mark at DM1.6855, and nearly 71 at ¥102.63. Dealers said the market appeared to have set a temporary "floor" for the currency at DM.6550 and ¥102.50.

The consensus among observers was that while the intervention had succeeded in breaking the bearish dollar psychology, supportive policy measures in the form of lower German interest rates, higher US rates and market access measures in Japan, would be necessary to turn the dollar around. Mr

Continued on Page 16
Editorial Comment, Page 15;
Bonds, Page 24; London stocks,
Page 25; Currencies, Page 34;
World stocks, Page 36

Liquidators to sue directors over the collapse of BCCI

By Andrew Jack in London

The liquidators to the collapsed Bank of Credit and Commerce International are suing the bank's directors for failing in their duties, it emerged yesterday.

The action is significant because it is the first move against the board members of BCCI, which was closed by regulators in July 1991 after evidence emerged of widespread fraud.

It comes on top of litigation to recover funds for creditors brought by the liquidators against BCCI's auditors, the Bank of England and Sheikh Khalid bin Mahfouz and National Commercial Bank of Saudi Arabia.

Partners from Touche Ross, the accountancy firm, issued the writ in the last few weeks through the courts in Luxembourg where the BCCI holding company is registered.

Those named in the writ include Mr Alfred Hartman, Mr Cliff Twitcheen, Mr Yves

Lamarche, Mr J D Van Oenen and Sheikh Khalid, former chief operating officer of National Commercial Bank.

However, one director, Mr Ghassan Karis Al Marai, the representative on the BCCI board since the early 1980s of the government of Abu Dhabi, the majority shareholder in the bank, has not been named.

The decision to exclude his name reflects an attempt by the liquidators to prevent any difficulties in finalising an agreement with Abu Dhabi over a payment of \$1.8bn in exchange for a waiver of future legal action.

But it is believed the liquidators have not discounted the possibility of adding Mr Marai's name in future if the agreement with Abu Dhabi ultimately founders.

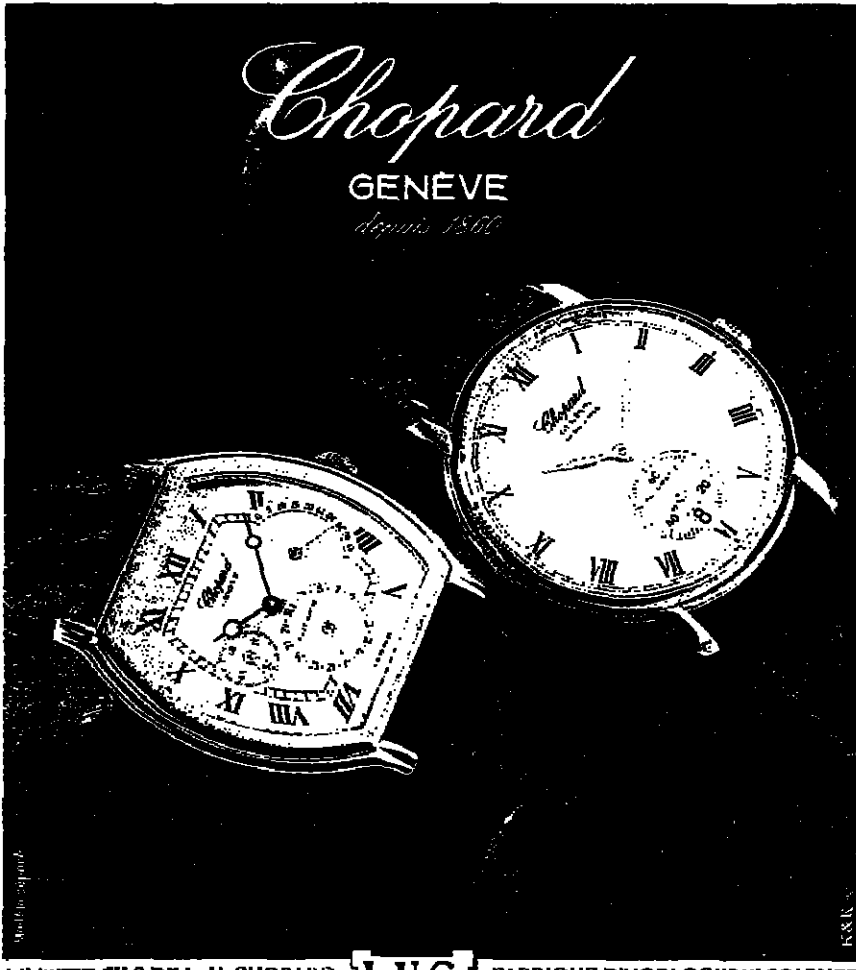
The writ is not a public document, and is couched in general terms alleging that the directors failed in their duties under Luxembourg company law. It is not expected to advance quickly to hearings.

In an interview with the Financial Times in February, Mr Mazrui protested his innocence even though he was on the BCCI board for 10 years before the closure. "I can say from now till the Day of Judgment from what I can see no one on the board knew about the fraud. We never, never suspected," he said.

Mr Hartman said yesterday: "If anything happens the directors will defend themselves. They were not aware of the fraud, which was very, very cleverly done. They have acted the best they could." The other directors could not be contacted yesterday.

The liquidators continue to negotiate with the BCCI creditors' committee and the government of Abu Dhabi over the details of an agreement tentatively approved in March.

Meanwhile, accountants Price Waterhouse and Ernst & Young, now part of Ernst & Young, in the last few days filed their defences to a claim from the liquidators for up to \$1bn for their allegedly faulty auditing of BCCI.



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NEWS: EUROPE

Turkey acts to stave off run on banks

By John Murray Brown
in Istanbul

The Turkish government yesterday moved to restore public confidence in the banking system in the wake of recent bank collapses, announcing it would provide unlimited deposit insurance cover in the case of a bank going under.

The move follows criticism of the handling last month of the closure of three small private banks - Turkish Tourism and Investment Bank TTY, Marmara Bank and Impex-Bank.

It also reflects growing official concern that other banks could be hit by a run on deposits in the wake of a 50 per cent depreciation of the lira and the recent bank closures.

Announcing the scheme, Mrs Tuncel Ciller, prime minister, said press speculation about the health of the banking sector had "created an uncertain atmosphere".

IBCA, the London rating agency, estimates around 12 per cent of foreign exchange deposits were withdrawn in the first six weeks of the crisis. Bankers say it is considerably more today.

Until now, under the central bank's deposit insurance a depositor would be paid up to TL150m. The new scheme, which does not cover the three failed banks, will have no upper limit, and will cover lira and foreign exchange deposits.

The move was criticised by some bankers, who pointed out that without the risk that depositors might lose their money, competition between banks would now be decided not by the quality of the management but by the interest rates being offered.

However a shakeout seems unavoidable. This week, Garanti Bank, one of the stronger private banks, took over the troubled Bank Ekspres, and brokers say a number of other banking assets could soon be up for sale.

Yesterday's move on deposit insurance comes in the wake of earlier action to introduce a lifeboat system for banks suffering a run on deposits. It coincides with a mission by the International Monetary Fund to discuss Mrs Ciller's recently unveiled austerity programme. If the fund approves the pack-

age, Turkey will sign a letter of intent, paving the way for agreement on a standby facility, and allowing Turkey to return to international debt markets.

Turkey's creditworthiness is certain to be affected by the way the government settles the foreign liabilities of the three failed banks, which are estimated at \$200m. Twelve of the leading bank creditors were told by the Treasury last week there would be no repayment guarantee, and settlement would be made as part of the liquidation of the banks, which may take months.

The creditors group includes UBS and SBC of Switzerland, National Bank of Australia, Commonwealth Bank, the Australian state bank, and the French banks Paribas and the state-owned Banque Française Commerciale d'Extrême.

Half of the liabilities represent letters of credit and pre-export financing for Turkish importers.

The World Bank has approved a \$100m credit to support Turkey's privatisation plans, in a clear signal of support for the government's recent economic austerity programme.

The bank loan, repayable over 17 years with a five-year grace period, will cover the cost of foreign bank consultants, legal advisers and public relations experts. It will also help finance a labour restructuring programme including work on a social safety net, and a feasibility study for the Zonguldak region, where the government has earmarked the coal mines for closure.

The government plans to raise \$3.5bn in 1994 to help close the budget gap. With international debt markets all but closed to Turkey in the wake of repeated downgrades by international credit agencies, revenues from privatisation are critical to Turkey's balance of payments.

In 1994 the government is aiming to sell Turgas, the state oil refinery corporation, and Petrol Ofisi, the retail operator, either to a strategic industrial buyer or through an international share flotation or a combination of the two. Turk Hava Yollari, the Turkish airline, is also up for sale this year, together with Erdemir iron and steel works.

Socialist Euro-MPs' boycott infuriates Italy

By David Gardner in Strasbourg and Robert Graham in Rome

Socialist Euro-MPs yesterday provoked a furious reaction from Italy's president after voting to boycott any Italian neo-fascists taking part in EU institutions. The action follows last month's election victory by Mr Silvio Berlusconi's three-party coalition, which includes the far-right MSI/National Alliance.

The Socialists, set to dominate the increasingly powerful Strasbourg assembly after next month's Euro-elections, say they will withhold co-operation from the Council of Ministers of the 13 on vital issues like

the EU budget if Italy is represented there by neo-fascist ministers.

They have also decided to block parliament's mandatory endorsement of the new European Commission - due to take over in 1995 - should a Berlusconi government seek to send a neo-fascist Commissioner to Brussels.

The move brought an instantaneous angry reply from Italy's President Oscar Luigi Scalfaro and cast a cloud over the formation of the next Italian government.

President Scalfaro was so furious over what he regarded as an unwarranted interference in internal affairs of an EU member that within eight

minutes of the vote he had issued a formal reply.

The lapidary tone of the reply made his feelings clear: "Italy's adherence to principles and values that form the basis of Europe is crystal clear and beyond discussion, and we need no one to either tell us this or offer to give us lessons."

The full parliament, in which the Socialists are already the largest bloc, voted late on Wednesday night to remind Italy that it "must be faithful to the fundamental values which lay behind the foundation of the European Community."

The motion - an unprecedented intervention in the poli-

tics of a member state - was carried by 189 to 188. The Christian Democrats, now the second largest bloc at Strasbourg, including the parliament's president, Mr Egon Klepac, voted against.

Mr Jean-Pierre Cot, leader of the Socialist MEPs, said yesterday: "This Union was founded on the ashes of fascism." He denied interference in Italy's internal affairs, saying that "we are delivering a warning that this Union is a partnership which depends on shared fundamental values."

Italian opposition parties exploited the vote to remind Mr Berlusconi he faced problems in allying so openly with the MSI which had yet to dis-

associate itself from its fascist roots.

The Strasbourg vote comes at an awkward moment for the media magnate turned politician. Mr Berlusconi's efforts to form a government are foundering on the insistence of the populist Northern League of Mr Umberto Bossi on the key portfolio of the interior ministry.

Mr Bossi has threatened to stay out of the government unless this post is given to the League. If the deadlock is not broken within the next 24 hours, Mr Berlusconi could well have to rely for his main support outside his Forza Italia movement on the MSI. The League would merely offer

unstable external backing in parliament.

In Strasbourg the Socialists also decided to expel from their bloc any MEP seen as siding with Mr Berlusconi's Forza Italia group. They have three to four MEPs in their sights, including Ms Maria Magagnoli Noya, a vice-president of the Parliament for the nearly defunct Italian Socialist Party.

Last week, the so-called Rainbow Group of regional parties in the parliament asked its two members from the Lombard League - the third element in Mr Berlusconi's coalition - to leave their bloc, because of their alliance in Italy with the neo-fascists.

Spain's prime minister is given the benefit of the doubt as corruption scandals claim more victims

Markets recover after going to brink

By Tom Burns in Madrid

Jittery stock, bond and currency markets were belatedly giving Spain's embattled prime minister, Mr Felipe Gonzalez, the benefit of the doubt yesterday as he struggled to regain the initiative in the face of a series of corruption scandals that have rocked his government.

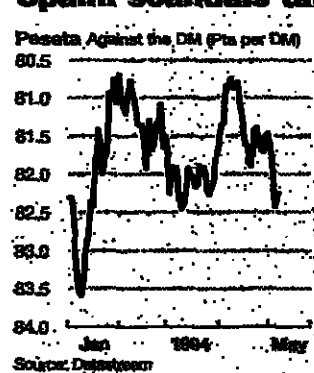
The stock market began the day by plunging to a one-year low and the peseta depreciated sharply until investors' nerves steadied as Mr Gonzalez, in a pre-lunch press conference, pledged to regain the initiative.

A succession of scandals, which have prompted the resignation of two cabinet ministers and turned the former head of the paramilitary civil guard into a fugitive from justice, claimed their most senior political victim yesterday when Mr Carlos Solchaga, former finance minister, resigned as parliamentary leader of Mr Gonzalez's ruling Socialist party.

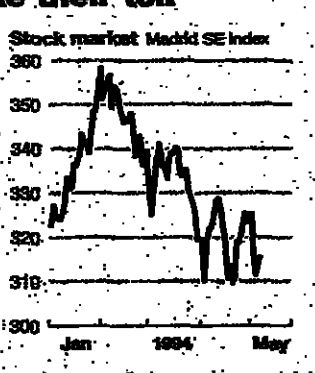
Hours earlier Mr Mariano Rubio, twice appointed by Mr Solchaga as governor of the Bank of Spain, was arrested and held in custody on fraud charges along with his friend and former broker Mr Manuel de la Concha, a former head of the Madrid stock exchange.

Mr Gonzalez's announcement that he would neither resign nor call a snap election checked an early morning run on the peseta that brought it down to Ptas83 against the D-Mark from Wednesday's Ptas2.1 fix and the currency ended the day at Ptas82.3.

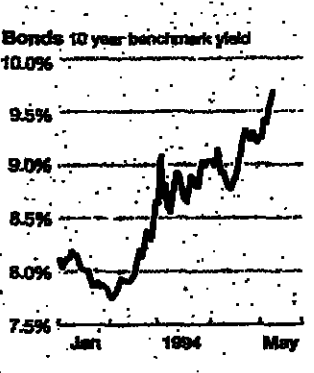
Spain: scandals take their toll



Source: Ecuropa



Source: Ecuropa



Source: Ecuropa

The prime minister's move also reined in a widening spread in benchmark 10-year bond yields. The spread for the domestic bonds pushed up to 320 basis points against Germany's long-term bonds before falling to close to 300 basis points amid considerable volatility.

The Madrid stock market general index, which had dropped to a year-low of 307 in early trading after a fall of nearly six points on Wednesday, rallied in the afternoon to close at 316.25, 1.5 per cent up on Wednesday's close.

Analysts stressed that the beleaguered Mr Gonzalez may have only gained a passing relief for the Spanish markets.

"It could be only a temporary respite," said Mr Antonio Pulido of Madrid broker's FG. "We have not seen volatility like this since the general elections last June."

The consensus view is that the political uncertainty which fuelled the volatility will not be wholly resolved until after

the European elections on June 12 when the government's popularity will be tested.

"On June 13 we will know whether Gonzalez is really strong enough to ensure stability," said Ms Monica Morales, a senior broker at Societa General in Madrid.

The markets still appear to perceive Mr Gonzalez as living on borrowed time and as a hostage of the Catalan nationalists in parliament who have so far supported his government. They forecast that a humiliating defeat for his Socialist party next month would prompt the Catalans to withhold their support and trigger an October election.

The markets also fear, in particular, that a further bout of corruption disclosures by the press could rock Mr Gonzalez's credibility once more. "There are still a few loose cannons on the Spanish deck," said Mr Robert Maxwell of Madrid brokers Maxwell and Espinosa.



Solchaga: Socialist parliamentary leader and former finance minister is scandal's most senior victim



Mariano Rubio, former governor, Bank of Spain

GONZALEZ'S WEEK OF DISASTERS

FRIDAY - Ex Civil Guard chief Luis Roldan fails to appear before magistrate and vanishes.

TUESDAY - Roldan threatens in interview to bring others down with him.

WEDNESDAY - Farm minister Vicente Albero resigns, admitting he failed to pay some tax on investment portfolio.

Former Bank of Spain governor Mariano Rubio and former stock exchange chief Manuel de la Concha arrested on charges of tax fraud and falsifying documents.

International arrest warrant issued for Roldan to face charges including bribery, fraud and misappropriation of public funds.

THURSDAY - Rubio and De la Concha remanded at Madrid's Carabanchel jail.

Former economy minister Carlos Solchaga resigns as Socialist parliamentary leader and MP over Rubio affair.

Former interior minister José Luis Corcuera resigns as MP over Roldan affair.

Justice minister Juan Alberto Belloch takes over interior ministry.

Energy undersecretary Luis Alenza promoted to agriculture minister.

Prime Minister Felipe Gonzalez says he will stay on to fight corruption and pursue economic recovery programme, and rejects snap election.

Mitterrand rules out nuclear tests

By David Buchan in Paris

President Mitterrand forecast yesterday that France would never again set off test explosions of nuclear weapons, unless another major atomic power broke the test moratorium which the French leader set in train two years ago.

Mr Mitterrand reaffirmed that he would not allow nuclear tests during his remaining year in the Elysee, and predicted that his successors would not dare resume testing for fear of "offending the whole world by relaunching the nuclear arms race".

Delivering a 90-minute discourse on his nuclear policy to France's military establishment, Mr Mitterrand's state-

ment was as much a challenge as prediction to Mr François Léotard, the defence minister who sat poker-faced in front of him. Like most in the conservative government, Mr Léotard is committed to at least re-examining the nuclear test issue once the socialist president leaves office next May.

Indeed the president challenged the French military establishment to have the "talent and imagination" to keep France's atomic arsenal up to date by simulating tests in laboratories rather than by setting off more explosions in or under its Mururoa atoll in the south Pacific. The FF101m test aside for nuclear test simulation in the defence spending programme for 1995-2000 gave

it sufficient resources, Mr Mitterrand claimed.

Most French conservative defence experts believe that France still needs a few more live tests, if only to calibrate laser, radiographic, and computer techniques used in laboratory simulation.

But the president claimed France need not fear "any nasty surprise" by renouncing testing, and so setting an example to other near-nuclear countries in the renegotiation of the Non-Proliferation Treaty next year. The US was the only nuclear power which could make gains relative to France, because Washington had been working on simulating tests since the early 1960s, and Franco-American

relations were sufficiently good that France had nothing to fear from that quarter.

However, Mr Mitterrand yesterday showed himself a traditional gaulist in every other aspect of nuclear power. A French president could not share the decision to use nuclear weapons "with any foreign authority", he said, and that was why France had been right to leave Nato's integrated command in 1966 and to stay out. Eventually, Europe might be sufficiently united politically for France to consider its vital national interests synonymous with those of its European Union partners. But the pro-European president implied that day was still distant.

Swedes 'vital to larger EU'

By Lionel Barber in Helsinki

Enlargement of the European Union could be jeopardised if Sweden vote No in their referendum, Mr Esko Aho, Finnish prime minister, warned yesterday.

His warning introduced fresh uncertainty into plans to admit Austria, Finland, Sweden and Norway into the Union by January 1 1995. The Finnish premier suggested that some of the existing 12 member states might refuse to ratify the accession treaties for Austria, Finland and Norway if Sweden, which will be a net contributor to the EU budget, declined to join. The treaties must be ratified by all 12 EU member states.

Polis show solid support for EU membership in Austria and Finland, though many remain undecided. In Sweden a well funded campaign coupled with an unpopular government has left the outcome of the referendum in doubt. Norwegians are seen as the most resistant to membership.

The Finnish government is in the middle of difficult internal negotiations on the size of compensation to be paid to Finnish farmers who must drastically reduce their production to EU levels once Finland joins the Union. The cost to the national budget is likely to be 10 billion markkaa (\$1.6bn), Mr Aho said.

Mr Aho's centre party is split over membership, because of

its ties to the farming lobby. But behind his remarks lies a broad concern about Finland joining a future Union without Sweden, its large and wealthy neighbour. This has led to divisions within the government about the timing of the Finnish referendum.

Mr Aho said he favoured holding a referendum on the same day as Sweden, that is some time after the Swedish general election in September.

But president Martti Ahtisaari said he supported an early Finnish referendum before the Swedish vote. "There is no question that our vote will have an effect on others. If we vote Yes, we can do a favour for ourselves and a service for Europe as well."

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EUROPEAN NEWS DIGEST

Swedish interest rate reduction

Sweden's central bank, the Riksbank, yesterday cut interest rates to their lowest level for 20 years to consolidate the country's recovery from its deepest recession since the 1930s.

The bank's marginal rate, which steers short-term interest rates, will fall to 7.0 per cent from 7.25 per cent from May 9. The bank said falling European interest rates and the krona's stable performance during recent financial market turbulence had provided scope for the cut. The krona has fallen by 20 per cent since late 1992 but this year it has strengthened amid clear signs of an export-led recovery.

Mr Thomas Franzen, Riksbank deputy governor, said that with Swedish inflation subdued, "there is scope for lasting lower interest rates in Sweden". He also noted that there was a general acceptance that Sweden would have to pursue tighter fiscal policies to promote growth and employment.

The Riksbank has attracted criticism for not cutting rates more aggressively over the last 18 months, despite the country's deep economic problems. Real interest rates remain high, with inflation running at less than 2 per cent. The government expects Sweden's GDP to grow 2.4 per cent this year, the first increase since 1990. *Christopher Brown-Humes, Stockholm*

Italian insurance sell-off pledge

Privatisation of Istituto Nazionale delle Assicurazioni (Ina), Italy's state-owned insurance company, is still on schedule in spite of the fact that Rome prosecutors are investigating the group's chairman, Ina advisers said yesterday.

Magistrates revealed on Wednesday night that they had warned Mr Lorenzo Falletti that they were conducting inquiries into alleged falsifying of accounts and fraud, following up their earlier inquiries into the operations of the Rome branch of the company's Asitalia subsidiary between 1990 and 1992. Ina has played down the significance of the inquiry. The company pointed out that Mr Falletti had only been targeted by the magistrates because he was formally responsible for the group at the time, though not directly involved in management of the Rome branch.

Four other Ina-Asitalia executives were warned about the inquiry in March. Even before Wednesday's events, delays in the formation of a new Italian government had begun to cast doubt on the timetable for the Ina privatisation. The sell-off is scheduled for the end of June, but most of the important political decisions about privatising Ina have still have to be taken. *Andrew Hill, Milan*

Alcatel subsidiary in new probe

Mr Pierre Guichet, chairman of Alcatel CIT, the French telecoms equipment manufacturer, has been placed under judicial investigation in a case concerning alleged overcharging of France Telecom, one of the group's principal customers, the company said yesterday. Alcatel CIT, a subsidiary of Alcatel-Alsthom, one of France's largest industrial groups, said in a statement it had not overcharged or forged billing for France Telecom and expressed surprise at the investigation.

The origins of the affair date back to last year, when two employees of Alcatel CIT were accused by the company of manipulating prices for equipment ordered by France Telecom. Alcatel CIT agreed in November to pay France Telecom a sum of about FF90m (\$10.3m) to compensate for the losses arising from the manipulation of prices and the damage to relations between the two companies. Alcatel CIT said it had written a letter to the investigating magistrates criticising the procedure being followed in the case. Mr Guichet was placed under judicial investigation for the overcharging case immediately after having been questioned about allegations that he had worked at his home by companies working for Alcatel CIT. Alcatel CIT said that Mr Guichet had himself paid for the work at his home and that no charges had been brought concerning this subject. *John Ridding, Paris*

Bourse watchdog fines Tapie

Mr Bernard Tapie, the controversial French politician and businessman, has been fined FF1m (£110,000) by the Paris stock market authorities for disclosing inaccurate information about Testut, a company he chaired from 1987 to 1992. Mr Tapie was criticised for releasing information in 1990 which "did not seem to be either accurate, precise or sincere". The fine is the latest in a long line of brushes between Mr Tapie and the French financial establishment. It comes at a time when Mr Tapie, who was briefly minister of urban affairs in the last socialist cabinet, is leading the European election campaign for MRG, a group of left-wing parties dubbed *Les Tapistes* by the French press. So far Mr Tapie's political fortunes seem to have been helped rather than hindered by his scuffles with the authorities. MRG has recently risen rapidly in the opinion polls to reach around 10 per cent. *Alice Rawsthorn, Paris*

Bosnian Serbs reject land deal

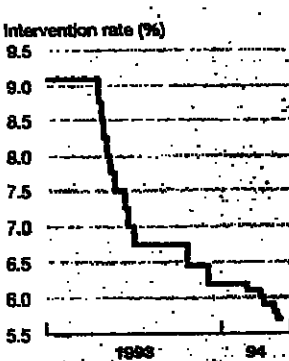
Bosnian Serb leaders again quashed hopes for a settlement by yesterday rejecting a previously agreed arrangement which traded land for peace.

Referring to EU plan for Serbs to keep 49 per cent of Bosnia and Muslims and Croats to control 51 per cent, Mr Momcilo Krajisnik, speaker of the Bosnian Serb assembly, said: "Muslims and Croats do not have the moral right to such a percentage of territory since they never have controlled such an area." Earlier, Mr Douglas Hogg, British foreign office minister, in Belgrade to meet President Slobodan Milosevic of Serbia, stressed the importance of the "land for peace" deal. Mr Hogg said: "The allocation of 49 and 51 per cent is very firm. We do not want to see firm points shifted." In Sarajevo, another earlier arrangement was buckled. Mr Yasushi Akashi, UN envoy, agreed to allow seven Serb tanks to pass through the 20km exclusion zone around the city despite Bosnian government protests. *Laura Silber, Belgrade*

ECONOMIC WATCH

France trims key interest rate

France



Source: Datastream

The Bank of France yesterday took a further step in its policy of edging interest rates lower, trimming the intervention rate, the floor for money market rates, by 10 basis points to 5.6 per cent. The move was the third in three weeks and is consistent with the central bank's policy of gradually lowering borrowing costs to support emerging economic recovery. Inflation, currently at an annualised rate of about 1.5 per cent, poses little constraint. The Bank of France has been tracking the downward trend in German interest rates and is targeting the Bundesbank's repo rate. Yesterday's cut brought the margin above the repo rate to just under 0.2 percentage points. The Paris stock market welcomed the move. The CAC-40 index of leading shares doubled its morning gains following the news, closing up 0.98 per cent at 2,162. The French franc took the rate cut in its stride, trading at about FF73.428 to the D-Mark. *John Ridding, Paris*

■ The Polish finance minister, Mr Grzegorz Kolodko, said yesterday the country was on course for minimum growth in the economy of 4 per cent this year, and forecast that 4.5 per cent to 4.7 per cent could be achieved.

■ Car deliveries in Italy fell by 2.8 per cent in April year-on-year against a 1.5 per cent rise in March, the carmakers' association, Ania, said. Ania said 169,945 cars were sold in Italy last month, against 174,758 in the same period last year.

■ Spain's official currency reserves fell \$126.1m to \$44.73bn in April from March, according to provisional figures released by the Bank of Spain.

Massive electoral fraud alleged in Russia

By John Lloyd in Moscow

The December 12 referendum which approved the Russian constitution was invalid because the required 50 per cent of voters did not take part, according to a report by a team of experts working for the presidential administration. The report, whose main author yesterday insisted on its accuracy, alleges massive corruption at every level of vote counting.

The potential importance of the findings - if shown to be correct and if acted upon - is great. The report's author, Mr Alexander Sobyannin, claims that only 49m voters out of 106.2m took part in the referendum on the constitution - a percentage of only 46.1, well short of the 50 per cent minimum and even further down on the 64.8 per cent claimed by the Central Election Commission very soon after the voting ended.

The findings could tear the heart out of the efforts by President Boris Yeltsin to place the constitution as the foundation stone of Russian democracy. He has persuaded most of the Russian party leaders to sign a "treaty on civil accord" which pledges that no efforts will be made to

amend the constitution for two years. The treaty was signed yesterday by 141 representatives of Russian enterprise unions and associations. The report, excerpts of which have been printed in the daily newspaper, *Izvestiya*, also said that extensive stuffing of ballot boxes and rewriting of results at the regional voting headquarters resulted in huge distortions.

It alleged that the Liberal Democratic party (LDP), the ultra-nationalist group led by Mr Vladimir Zhirinovskiy, whose victory in that part of the parliament chosen from party lists was the main shock

of the elections, received 6m unwarranted votes - with the Russian Communist party gaining 1.8m, the pro-communist Agrarians receiving 1.7m and the Women of Russia - also pro-Communist - 1m.

The main loser among the parties, said the report, was Choice of Russia, which suffered a shortfall of 2m votes.

However, the present signs are that the report will not be allowed to receive much attention. Both Mr Sergei Filatov, the president's chief-of-staff and Mr Nikolai Ryabov, the head of the electoral commission, rejected the report's find-

ings. Mr Filatov is reported by Russian journalists to have deprived Mr Sobyannin's group of its working dacha on the outskirts of Moscow, and to have had it sealed.

Mr Ryabov told *Izvestiya*: "I cannot say that nothing of this sort took place... (but) to talk of massive falsifications and breaches of the rules in this way has no grounds in reality."

However, Mr Sobyannin, in an interview from his Kremlin office, stood by the report: "I am certain the facts are right because many of the breaches were so obvious. It was quite obvious that in some regions

the results were way out of line." Mr Sobyannin said that he had not discussed the report with Mr Filatov, but had with other officials and "there is some concern". Following publication of parts of his report, Mr Sobyannin said his contract with the government had not been renewed.

A separate report on expenditure of the parties during the election alleges that Choice of Russia spent almost 30 times more on the campaign per deputy elected than the LDP - Rb547.9m per deputy against Rb51.7m. The former won 40 seats, the latter 59.

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Austrian trade union bank faces inquiry

By Patrick Blum in Vienna

The Austrian state prosecutor has launched an investigation into the country's large trade union bank Bawag - the country's fourth largest bank - and its chairman, Mr Walter Floettl, following anonymous allegations made by two of the bank's senior officials.

The officials have alleged that Mr Floettl concealed from the bank's supervisory board high-risk trading activities undertaken by his son with money from the bank and that

he evaded taxes. The prosecutor's inquiries follow another investigation launched just over a week ago by the finance ministry after it was alleged that Mr Floettl had authorised loans worth almost \$2.1bn (\$1.16bn) to Caribbean-based offshore companies run by his son Wolfgang. The latter Floettl is said by the finance ministry to have used the money for high-risk speculative financial operations on the international debt market. The loans were not clearly disclosed in the bank's annual

report, say the authorities. Last Friday, Mr Anton Stanzel, who is responsible for bank supervision at the finance ministry, said that nothing had been found during the ministry's own investigation to suggest criminal activity by the Floettls and Bawag (Bank für Arbeit und Wirtschaft).

Nevertheless, the ministry decided that further investigations were needed to assess the risk and propriety of the transactions.

"There is no evidence of criminal activity, but investi-

gations continue to check that (all transactions) were done according to the banking act," Mr Stanzel said this week. "There were very high risks involved," he said. The ministry's investigations are expected to be completed by the end of the month.

The financial authorities are particularly concerned that the bank's standing should not be damaged by the affair. The 70-year-old Mr Floettl has strongly rejected any suggestions of impropriety on his or his son's part, though he

admitted the transactions that had taken place for nearly six years were unconventional.

The bank, however, had not lost any money as a result, and he promised all such positions would be closed by the end of this month, and the business ended.

Mr Stanzel said on Wednesday that about half of the money had been returned, and he hoped the remaining positions could be closed without loss. "We'll sleep better if this (the

rest of the money) comes back," Mr Stanzel said. Ironically, until now the bank, with its traditional strong ties to the unions and the social democrats, was regarded as one of the most successful and conservatively run banks in Austria.

The social democrats, who pride themselves on their ability to be better managers than their conservative rivals, now face damaging publicity which comes only a few months before general elections due in October.



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NEWS: INTERNATIONAL

The horse-trading begins



Black South Africans, especially in the troubled province of Natal/KwaZulu, can be forgiven for wondering what elections are all about.

Last week they queued for hours to cast their votes in the country's first democratic elections. This week, their political leaders have been trading votes like football cards, openly fixing the result of the poll to try to keep the peace.

Patti Waldmeir on vote swapping in northern Natal

In Empangeni, centre of the much-disputed voting area of northern Natal, Mr Senzo Mkhunu, African National Congress regional secretary, makes no effort to hide what is going on. "To us, the priority is peace," says the man who heads the ANC in this stronghold of the rival Inkatha Freedom party.

"Obviously, the elections

President Bill Clinton officially announced a \$600m aid plan for South Africa yesterday, and said Vice President Al Gore and Hillary Rodham Clinton would attend the inauguration on Tuesday of Mr Nelson Mandela as its first black president.

Today I am announcing a substantial increase in our efforts to promote trade, aid and investment in South Africa. Over the next three years, we will provide and leverage about \$600m," Mr Clinton said. At a White House ceremony attended by many prominent anti-apartheid activists, including black civil rights leader Jesse Jackson, Mr Clinton said he had spoken by telephone with Mr Mandela and outgoing President F. W. de Klerk just before the ceremony to to congratulate them on South Africa's first all-race elections.

were not free and fair. There has been rigging, extensive rigging," he says. [The IFP won 73 per cent of the provincial vote in this area, against 16 per cent for the ANC.] "But we think it's a very narrow line of thinking to say, just reject the results. That would not resolve anything. Based on the reality in Natal, the ANC should have emerged as the winning party, and whatever deal is made should reflect that. But you must remember these people [IFP] have been told they are winning so any deal you make must make it less shocking to them."

Mr Mkhunu hints he would approve a deal which shared voting totals equally between the two parties, whatever the

official electoral tally shows. Each would gain some 40 to 45 per cent of the vote with the outgoing National party holding the provincial balance of power.

Under South Africa's constitution, they would be forced to share power in the provincial executive in any case, with seats allocated proportionately. "But there can only be one premier," and it cannot be the IFP's candidate, Dr Frank Mdlalose, he maintains.

Mr Mkhunu believes the ANC has found a way to bridge these two positions and is preparing to announce what it is. The Independent Electoral Commission, charged with conducting the poll and certifying its outcome, appears to be

holding back the results of the Empangeni count to give the politicians time to do their work.

Mr Mkhunu has his own complaints about the IEC: "Chaotic right from head office to the last man; unable to find information which they want; unable to ensure that elections are free and fair."

Mr Mkhunu acknowledges there is no way of knowing how many irregularities can be explained by human error, saying that mistakes are inevitable in an area where even the presiding officers have never before voted.

Only in the case of the small number of boxes filled with pre-stacked papers could one confidently assert fraud. Given some 119,000 people voted out of a voting population of 150,000 in the Empangeni area, there is no evidence of massive voter inflation. That does not mean fraud did not take place on a large scale - it simply means with no voter rolls and no record of votes cast, it will be impossible to draw the line between fraud and error. That is the real problem: South Africa's electoral process has failed to confer legitimacy on the result. Only politicians can do that now.



A man preparing materials yesterday to build a shack in a squatter camp near the South African port of Durban. Housing is one of the new government's most acute problems.

Palestinians wait for taste of freedom

By Julian O'Connell in the Gaza Strip

The self-rule agreement has been signed and sealed, but for the 800,000 Palestinians in Gaza it will be several weeks before they get the first real taste of freedom after more than 25 years of Israeli occupation.

As the second day of self-rule passed, Palestinians and Israelis woke up to the fact that the Palestinian Liberation Organisation is hopelessly ill-prepared to take over the complex administrative and security functions of running the townships of the Strip. Self-rule is more likely to trickle than flood into Gaza.

According to Mr Yitzhak Rabin, Israeli prime minister, PLO chairman Yasser Arafat has asked that Israel "draw out" its withdrawal from Gaza and the West Bank enclave of Jericho for at least three or four weeks while he prepares details of the take-over. The PLO denied Mr Rabin's statement and said it was ready to take over at once.

But it is clear the PLO is far away from being ready. Yesterday's expected deployment of 1,000 Palestinian police in Gaza-Jericho has been postponed by the PLO until next week.

The lack of planning on a more serious policy level was confirmed yesterday by Mr Hassan Abu Libdeh, PLO official in charge of the "Technical Committees" supposed to have in place a full scheme for Palestinian control over all services.

"We are not ready to receive authority," he said yesterday. "For example, environmental questions are really new to us. It may take 3-6 months before we are really ready." Another official said the PLO was only really ready to assume control over health.

Mr Arafat has yet to name the 24-member national author-

ity which will govern Gaza-Jericho as a de facto cabinet, let alone the key officials who will move in and take over the 34 departments and 24,000 employees of the Israeli military-run civil administration.

Many Palestinians said the problem lay with Mr Arafat's authoritarian style of leadership, his inability to delegate and the tension between the leadership in exile and Palestinian leaders who have emerged during the seven-year uprising against Israeli rule. Institutions created at PLO headquarters in Tunis and in the territories did not co-ordinate their activities.

Delay in implementing the agreement will further erode Mr Arafat's fragile support base. In Gaza, many Palestinians seemed disappointed and frustrated at the few signs of immediate change in their lives.

"Are they here to take over or just to talk to the Israelis?" shouted one man.

"We expected much bigger things to happen," said another. "Nobody knows if things are really going to change or if the Israelis are really going to leave."

Israel continued yesterday to wind down its occupation in Gaza, completely emptying the city's central prison and dismantling radio antennae. Some prisoners were freed after they signed a document saying they supported the peace process, while others were transferred to another prison in the Negev desert.

Despite the small pace of implementing self-rule, many people in Gaza still had hopes for the future. Low-key celebrations have been going on since Wednesday's signing of the self-rule agreement, for the deportees and Palestinian prisoners allowed home.

New graffiti painted overnight said: "Our return to Palestine was a dream and now it is the truth."

Jordan piqued at being left out of Gaza deal

By James Whittington in Amman

Jordanians had to sit through five news items on Wednesday evening before state-run television presented a report on the historic signing ceremony in Cairo which makes way for Palestinians in the West Bank and Gaza Strip to have their first taste of self-rule.

The occasion was brushed aside by an official spokesman as an "independent Palestinian affair" and criticised by others in government for the lack of co-ordination with Amman. The Lower House of Parliament cut short a debate on a draft sales tax law to issue a statement which condemned "the sale of Palestine".

Again, Jordan is in a fit of pique for being overlooked by the Palestine Liberation Organisation as it plans to govern the occupied territories. Despite numerous pledges between Jordan and the PLO to co-ordinate over implementing the self-rule agreement, Jordan's fears of marginalisation are growing stronger.

There is a general feeling of conspiracy in Amman that the long and bitter rivalry between PLO chairman Yasser Arafat and King Hussein is causing Mr Arafat to sideline Jordan.

The kingdom's frustration at being left out is based mainly

on historical precedent and demography. Jordan ruled the West Bank from 1948 to 1967, when that region was occupied by the Israelis following the six-day war; only in 1988 did King Hussein decide to sever legal and administrative links with what was half of his kingdom west of the Jordan River.

About 4m, over 60 per cent are of Palestinian origin and many have strong family ties in the West Bank. As a result, Jordan feels it has a natural role to play in any resolution of the Palestinian problem.

So far, this looks increasingly unlikely. Not only have the promises of co-ordination with the PLO failed to bear fruit, but agreements signed by the PLO and Jordan have been overtaken by PLO talks with Israel. Last week's PLO/Israeli economic agreement, for instance, negotiated in many ways the economic accord signed with Jordan in January.

A free trade policy between Jordan and the self-rule areas was replaced by quotas and taxes now to be levied on Jordanian goods. Newly-opened banks which were to be run by the Central Bank of Jordan are now to be under a Palestinian monetary authority. The Jordanian dinar seems to have been replaced by the Israeli shekel as the main legal tender.

NEWS IN BRIEF

Clinton protests at Singapore caning

Singapore yesterday carried out a caning sentence on Michael Fay, 18, a US citizen convicted by a local court of vandalism offences, including spray-painting cars. President Bill Clinton said bluntly that Singapore had committed "a mistake", while Kiara Cooke in Kuala Lumpur and Jock Martin in Washington.

The error was "not only because of the nature of the punishment related to the crime but because of the questions raised about whether the young man was in fact guilty and involuntarily confessed".

Mr Clinton promised a more definitive reaction later. Meanwhile, the Singapore ambassador was summoned to the state department to receive US protests.

Fay received four strokes of the rotan, a 4-ft cane. He had originally been sentenced to four months' jail, and fined \$83,500 (\$1,488), with six strokes of the cane.

The Fay case has caused considerable controversy in the US. Singapore has accused the US media of orchestrating a campaign against it and has insisted no one has the right to interfere in the workings of its judicial system. Official figures show Singapore (population under 3m) canes about 1,000 people each year.

India share sale raises Rs23bn

India has raised Rs23bn (\$483m) from its latest round of sales of shares in state-owned enterprises, securing much-needed funds for the government and extending its economic liberalisation programme, Stefan Wagstyl reports from New Delhi.

Foreign institutional investors, permitted to bid for the first time, snapped up part of the offering, the fifth since launch of economic reforms in mid-1991. Stock in seven companies was on offer, including Mahanagar Telephone Nigam, the domestic telecommunications carrier serving Delhi and Bombay, which accounted for nearly 60 per cent of the total sale.

The total raised falls short of the original target of Rs35bn for disinvestment in 1993-94. Since 1991, the government has raised Rs73bn and hopes for another Rs40bn in this financial year.

The government, which has sold shares in 31 out of 230 centrally owned enterprises, intends to retain control of most by maintaining a minimum holding of 51 per cent. Foreign institutions which successfully bid for stakes include funds managed by Morgan Stanley of the US, the investment management arms of Britain's BZW and of Hong Kong-based Jardine Fleming.

Refugees swamp Rwanda camps

Nearly half a million people have fled Rwanda to escape tribal massacres in the central African country, Médecins sans Frontières, the medical charity, said yesterday. Leslie Crawford writes from Nairobi. The upheaval has created the largest makeshift refugee camp in the world at Benako, in northern Tanzania. MSF says between 150,000 and 200,000 destitute and exhausted refugees have gathered at Benako. A nearby river marking the border between Rwanda and Tanzania has become



Rwandan refugees rush to collect water at a lake near a Red Cross centre close to the Tanzanian border.

polluted with corpses. Aid workers fear the outbreak of disease. Rebels of Rwanda's Tutsi minority have been fighting the dominant Hutu ethnic group for control of the country. But Tanzania said Rwanda's interim government yesterday signed a pact to stop the fighting and massacres. It said rebel forces had also agreed to implement it from tomorrow.

Nigeria fuel distribution recovers

Nigeria's domestic fuel distribution is slowly recovering from the near-paralysis of last week, as the government's ultimatum for its state-owned Nigerian National Petroleum Corporation (NNPC) to ease the shortages has expired without further comment from the military regime, Paul Adams writes from Lagos.

NNPC's two oil refineries in Port Harcourt are back in operation and large imported fuel shipments have arrived, but NNPC and the private-sector fuel marketers warn the relief is temporary and fundamental problems remain within the industry.

The low price of N3.25 (6 US cents) a litre of petrol imposed by the government is half the cost of importing the fuel or producing it in Nigeria, depriving the domestic oil industry of working capital and giving black market operators, who smuggle it abroad or hoard it in Nigeria for sale during shortages, 500 per cent margins.

Hata tries to defuse row over Nanking gaffe

By William Dawkins in Tokyo

China and South Korea yesterday reacted angrily to claims by Mr Shigetomo Nagano, the new justice minister, that one of Japan's worst wartime atrocities was a "hoax".

In an effort to defuse the row, Japan's prime minister Tsutomu Hata, condemned Mr Nagano's claim that the 1937 massacre of Nanking was a fiction as "not appropriate".

Mr Nagano is expected to issue a public apology today, according to reports in the Japanese press.

Mr Hata said Japan's wartime actions "including aggression and colonial rule, caused unbearable suffering and sorrow for many people; thus it is essential to face the history squarely and share the deter-

mination not to repeat them."

China, Japan's second largest trade partner after the US, was "shocked and indignant," said a Chinese foreign ministry spokesman. He urged the Tokyo government earnestly and seriously to treat the issue with a view to safeguarding bilateral relations, "an implied demand for Mr Nagano's dismissal".

Japan last year stepped up a gradual campaign to improve relations with Asian neighbours when former prime minister Morihiro Hosokawa issued a series of apologies, admitting that the war was aggressive and wrong.

Officially, the new government wishes to continue that process, though a right-wing minority supports Mr Nagano's stance, as reported in

the Mainichi newspaper.

Mr Nagano's gaffe has far more impact today than it might have had a few years ago and damages Japan's current attempts at a reconciliation with former colonies at a time when Tokyo is seeking to increase trade and investment with them.

It also provides ammunition for the minority government's numerous opponents, only a week after the Hata administration took office.

According to a post-war tribunal, Japanese troops killed 155,000 people in the six weeks after taking Nanking, though Chinese accounts put the figure at 300,000.

Mr Hata, on a European tour until the weekend, said he would ask Mr Nagano what he meant by his remarks.

Sri Lanka shares fall on fears for government

By Stefan Wagstyl in New Delhi and Mervyn de Silva in Colombo

Sri Lankan shares have fallen sharply this week amid concerns about the stability of president D.B. Wijetunga's government.

The sell-off was prompted by Mr Wijetunga's decision late last week to cancel a visit to China to deal with the turmoil in the ruling United National Party, and by a big May Day rally organised by a united front of opposition parties and attended by over 100,000 people.

Evidence of the dwindling popularity of the UNP and strong support for the left-inclined opposition parties, headed by the Sri Lanka Freedom Party, unnerved investors. Even though share prices rallied on Wednesday and yesterday, after a 4.5 per cent fall in the all-share index on Tuesday, the mood remains nervous.

Businessmen and brokers fear that political turmoil could continue for months, with president's heavily influenced by the increase in US interest rates and domestic political upheavals.

Mr Alavi Mahroof, a Colombo stock exchange broker, said: "Local investors are worried about current political trends".

Share prices rose sharply last year, fuelled by strong economic growth and a surge of foreign investment caused by the worldwide fashion for investing in emerging markets.

The market gained more than 70 per cent in dollar terms in 1993, according to data by the IFC, a member of the World Bank, but so far this year it is down 3 per cent.

Equities have since fallen back, heavily influenced by the increase in US interest rates and domestic political upheavals.

Mr Stanley Jayawardena, chairman of the Securities and Exchange Commission, the market watchdog, said: "A correction was bound to come."

Colombo has also suffered an unwelcome reminder of the continuing war with the Tamil Tiger separatist guerrillas in the north.

Terrorists planted bombs in luxury hotels in the capital last month, causing little damage but potentially harming the tourist industry.

But this is also a reaction to political events.

The political storm began in March when the UNP suffered its first electoral defeat in 17 years in provincial polls in the island's southern province. Mr Wijetunga, who succeeded the assassinated president Ranasinghe Premadasa last May, reacted with a string of populist financial hand-outs, including tax cuts and food-stamps for schoolchildren.

But he could not take the wind out of the sails of the opposition parties, which sense a potential victory in the presidential and national polls.

Meanwhile, a temporary change of leadership has breathed new life into the Sri Lanka Freedom Party. Mrs Sirima Bandaranaike, the former president who heads the party, has been forced to go to hospital, leaving the field open for her firebrand daughter, Mrs Chandrika Kumaratunga, the main speaker at the May Day rally.

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Kenya eager to trumpet its economic reforms

Nairobi wants to start a much-needed dialogue with private enterprise, writes Leslie Crawford

After a year of dismantling state controls and untangling red tape, the government of Kenya is hosting an investment conference in Nairobi today to trumpet its economic reforms.

Mr Musalia Mudavadi, finance minister, does not anticipate a stampede of foreign investors, but the conference might accomplish something more useful: the start of a much-needed dialogue between businessmen and government mandarins.

"We want to project Kenya's new image, but we also want to listen to the needs of investors and their suggestions for further reforms," Mr Mudavadi says.

The liberalisation measures

of the past year have radically changed the operating environment for private enterprise.

Business confidence is returning. Multinationals have significant investment plans

Import licences have been scrapped. Almost all government controls on foreign exchange transactions are gone. Exporters can keep their dollars and multinationals can repatriate profits without

restrictions. All price controls, except those on petroleum products, have been dismantled.

As a result, business confidence in Kenya is returning. A majority of multinationals polled by the East Africa Association say they have significant investment plans. Exporters and bankers are thriving in the newly deregulated environment, while local manufacturers have also taken advantage of the devaluation of the shilling to export to neighbouring countries. Kenya's exports rose by 15 per cent last year to \$1.1bn (£733m).

After two years in the doldrums, the Kenyan economy may show some stirrings of growth in 1994. With Tanzania,

Uganda and Kenya adopting converging economic policies, central bankers are now discussing the convertibility of their currencies to boost regional trade.

Mr Mudavadi is guaranteed an enthusiastic reception at the investors' conference, if only because local businessmen know he needs all the support he can get.

Inside government, the 33-year-old finance minister is fighting a formidable coalition of anti-reformers who resent the loss of patronage and opportunities for corruption his market-based reforms will fight.

"My fear is that the anti-reformers have so much to lose that they may go to any

lengths to sabotage Mudavadi and his plans," says a foreign executive in Nairobi. Having survived 18 difficult months in office, the young minister faces challenges far greater than economic deregulation.

He must impose financial discipline on free-spending government ministries and a bankrupt parastatal sector which is fuelling inflation and creating a mountain of public debt. Kenya's annual inflation rate has risen above 50 per cent, while debt-servicing consumes 42 per cent of government expenditures. This leaves little room for paying salaries, let alone investing in Kenya's social services.

Politically unpalatable

choices lie ahead, including the firing of thousands of civil servants in cities where one in three adults does not have a job. Mr Mudavadi plans to raise government revenues by improving the collection of import duties in the customs department. He is also trying to impose "performance targets" on state corporations.

But across the state sector, managerial skills are in short supply. Businessmen are advising Mr Mudavadi to tread cautiously: the scales are still too finely balanced between progress and a political backlash against reform. Mr Mudavadi, conscious of the fragility of his achievements, is not crying victory yet.

NEWS: WORLD TRADE

Dispute over ABB bid for energy grant

By Nancy Dunne in Washington and Guy de Jongh in London

A bid by Asea Brown Boveri, Europe's biggest electrical engineering company, to participate in a US energy department programme to develop the next generation of turbines is running into opposition from General Electric, its largest US competitor.

The dispute has set off a wider controversy in Washington about a concept called "conditional national treatment", under which subsidiaries of foreign companies are treated differently from US companies depending on conditions in their home countries. The issue has been discussed in US government inter-agency groups and may soon get an airing by the Clinton cabinet.

GE and Westinghouse, another US power engineering company, have already won approval to take part in the programme, under which the energy department provides matching grants - in this case around \$4.5m (\$2.7-£3.4m) - to participating companies.

Although the initial funding of such projects may be small, companies like ABB believe it is important that they are not excluded from key research because they are foreign companies, said Mrs Nancy McLernon, a spokesman for the Organisation of International Investment.

Under the Energy Policy Act of 1992, there are two criteria in awarding grants: an economic benefits test, to determine that the award will benefit the US, and a reciprocity test.

The latter requires that a company's home government allow participation in similar programmes and protects intellectual property rights.

General Electric has circulated a paper implying that the Swedish-Swiss ABB should not be allowed to participate because its home governments do not protect intellectual property rights.

The paper also suggests that if ABB were involved in the programme, it would use the fruits of the research not to create employment in the US but to strengthen its technological capacity in Europe.

ABB already has a substantial presence in the US, where it has expanded through acquisitions of companies including Combustion Engineering, a leading maker of boilers for power generation. In the Americas as a whole, ABB had sales of \$5.6bn last year and employs about 35,000 people, many of them in the US.

It is understood that the US Energy Secretary failed to determine that GE and Westinghouse were eligible for the scheme on the basis of the economic benefits test. That process is now underway retroactively.

US pressed to open up to EU

By Emma Tucker in Brussels

THE US must go further in opening home markets to European goods and investment if it is to live up to its self-proclaimed title of "still the most open trading nation in the world," the European Commission said yesterday.

In an annual report on US trade barriers to European business, the Commission highlighted "unreasonable" application of anti-dumping and other duty measures against exports from the European Union, and increasing application of domestic trade legislation to companies operating outside the US, as particular obstacles to European industry and investors.

"All these measures are anathema to an open world trading system which should be based on one set of negotiated multilateral rules and procedures fairly applied to all contracting parties in the Gatt," the Commission said.

"The magnitude of the barriers that remain, important though some of them are, should nevertheless be seen in the context of a broadly balanced and improving bilateral EU-US trade relationship," said Mr Ove Jorgensen, a commission official.

The main barriers highlighted in the report include:

- Increased use of unilateral or bilateral trade measures, in particular removal of Super 301 legislation, providing wide discretion to retaliate against trading practices deemed unfair to US commerce.

- Extraterritorial application of national trade provisions which clash with trading partners' sovereignty and lead to insoluble legal conflicts. The report cites the Cuban Democracy Act as an example.

- Use of national security considerations to justify curbs on trade and investment such as a 20 per cent limit on foreign investment in radio communications.

- Discrimination against non-US controlled companies for certain public contracts tendered at Federal and state level, and "buy America" laws.

- High tariffs on textiles, clothing, footwear, tableware and glassware.

- Tax legislation such as state unitary taxation and car taxes which are the subject of a Gatt panel request by the EU.

- Multiplicity of standards at federal, state and municipal level as well as protectionist labelling requirements.

India warns over labour controls

By Stefan Wagstyl in New Delhi

Mr Pranab Mukherjee, India's commerce minister, has warned the US and other industrialised countries against putting plans for controls on cheap labour on the agenda of international trade talks.

Suggestions that developing countries should be penalised for providing workers with inferior social and other benefits than industrialised countries amounted to "introducing protectionism through the back door," said Mr Mukherjee this week.

Mr Mukherjee was referring to proposals advanced by the US to insert "social clauses" into the brief of the newly-formed World Trade Organisation, which will next year replace the General Agreement on Tariffs and Trade in accordance with the Uruguay Round pact signed on Marrakesh last month. American and European politicians are concerned that the high social welfare payments made in industrialised countries reduce their competitiveness vis-à-vis the Third World. Mr Mukherjee said: "It raises doubts about whether some of the industrialised countries are serious about liberalising trade."

The social clause proposals made it more difficult for the ruling Congress(I) party in

India and other developing country governments to enact legislation to bring the Marrakesh agreement into effect.

These problems are particularly acute in India, where there is a long tradition of economic self-sufficiency and of hostility to foreign business interests. Opposition parties - including the right-wing Hindu nationalist Bharatiya Janata party and the parties of the left - have seized the Gatt accord as a stick with which to beat the government. They have taken their case on to the streets, calling rallies in Delhi which were attended by hundreds of thousands of people.

The opposition parties have tried to whip up support by lumping together criticism of the Gatt accord with attacks on the government's economic liberalisation. They have exploited fears of Indian farmers, some of whom have been led to believe the Gatt accord threatens agricultural subsidies. (In fact poor countries are exempted from the subsidy-cutting clauses of the agreement.)

Mr Mukherjee said the protests would not stop the government from getting legislation through parliament. The opposition was trying to build support before state elections later this year. He hoped the opposition parties would eventually accept the wisdom of the Gatt deal, despite their public posturing.

China looks beyond MFN horizon

Beijing sets sights on Gatt accession, write Tony Walker and Andrew Gowers

China, signalling confidence that the US will renew its Most Favoured Nation trading status, yesterday urged Washington to speed up negotiations on Beijing's bid to rejoin the General Agreement on Tariffs and Trade.

Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, will visit Beijing for six days next week to discuss negotiations on Chinese membership of the world trade body, writes Frances Williams in Geneva.

During his visit Mr Sutherland is due to

meet President Jiang Zemin, Prime Minister Li Peng and top trade officials. There is widespread backing among Gatt members for China to be readmitted to the organisation, which it left in 1950, but most western governments are insisting on special terms and Washington's position remains equivocal.

the far-reaching question of China's formal reintegration into the world economy. China is anxious to be a founder member of the new World Trade Organisation, to be formed out of Gatt, when the Uruguay Round agreement comes into force next year.

The Chinese official praised the EU for what he called its constructive approach to China's Gatt application, explicitly contrasting European and American attitudes. He said a draft protocol for Chinese membership presented when Sir Leon Brittan, the EU trade commissioner, visited Beijing in February contained "many positive elements".

The protocol includes provision for a transitional phase after China re-enters Gatt, safeguards against sudden surges of Chinese imports, and arrangements for a regular review of Chinese compliance with the trade body's rules.

Mr Long, a vice-minister in the foreign trade ministry, said

China was prepared to negotiate a transitional period - to the end of the century - during which it would remove most non-tariff barriers, align its technical standards with international norms and make its currency, the renminbi, fully convertible.

He added, however, that there should be no need for further special reviews of China's performance after the end of the transitional period. On safeguards, Beijing reserved the right to retaliate against attempts to "single out" China for trade penalties, by withdrawing some of its concessions on market access.

Further negotiations with the EU on these issues are due later this month, before the next meeting of Gatt's China working party in Geneva towards the end of June. Mr Long stressed that China's attempt to rejoin Gatt was "part and parcel" of its economic reforms, but that there was a limit to concessions

China was prepared to make. "Western negotiators should understand that China's transition from a planned economy is a great experiment," he said.

"If you ask for things to be done immediately, we have to say No. We're not looking for Gatt entry at any price - at the cost of social stability, or of throwing a lot of workers out of jobs. 'If the US can also find the practical, realistic approach adopted by the EU, we can make progress'."

During the eight years of negotiations on China's Gatt membership, the US has generally taken the lead. But recently, with US policymakers preoccupied by the MFN issue, the Europeans have assumed a higher profile. Last year, the US notched up a record \$22.8bn bilateral trade deficit with China, while the EU's deficit with China fell from \$12bn to \$10bn.

Mr Long acknowledged that the Gatt negotiations had been overshadowed by the MFN dis-

pute, but expressed hope that the two issues could soon be separated. "Trade is trade, and politics is politics," he said.

He said it was in the world's interests as well as Beijing's to ensure that China joined the World Trade Organisation at its inception. The WTO, he said, would be "incomplete" without a country containing one fifth of the world's population and its 11th largest trading nation.

"We are trying to get into Gatt not because we see immediate economic benefits but because we want to make our economic system compatible with the world trade regime, so that foreign businesses have more confidence in our economy," he stressed. "If we really wanted to damage the world trading order, why would we bother trying to get into Gatt? It will put a straitjacket on us."

A European diplomat in Beijing agreed the EU had won points with Beijing by coming forward with its own Gatt proposals. There was no fundamental difference between Brussels and Washington on market access, transparency of import rules, and intellectual property rights. "We are competitors, but we all have the same interest: breaking open the Chinese market," he said.

Piaggio in Chinese scooter venture

By Andrew Hill in Milan

Piaggio, the Italian scooter manufacturer, aims to produce 500,000 motor scooters a year for the growing Chinese market by 1998, through a local joint venture set up near the port of Guangzhou.

The privately owned Italian company announced yesterday that the Chinese authorities had approved the venture, which will require a total investment of \$100m (£68.4m) up to 1997 by Piaggio and its partners, backed by international banks.

The new venture, Piaggio Lyman Foshan, is 75 per cent controlled by Hong Kong-registered Piaggio Lyman China, and 25 per cent by Foshan Motorcycle of China. The Hong Kong company is itself 51 per cent-owned by the Piaggio parent company and 49 per cent by Satya Djaya Group of Indonesia.

Piaggio should export 40,000 vehicles this year to China. The new joint venture in Foshan, in the province of Guangdong, will produce about 7,000 scooters this year, and 100,000 next year.



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US will be heavily exposed if this week's intervention proves insufficient

Treasury takes risks to back dollar

By George Graham in Washington

This week's massive concerted intervention by central banks around the world to stop the fall of the US dollar has pushed the US Treasury a long way out on a somewhat fragile limb.

In an effort to break the financial markets' perception that the US, to increase its leverage in trade negotiations with Japan, is actively pushing or passively permitting the dollar's slide against the yen, Mr Lloyd Bentsen, the Treasury secretary, said the Clinton administration saw "no advantage in an undervalued currency."

"Recent movements in exchange markets have gone beyond what is justified by economic fundamentals," Mr Bentsen said.

But that bold statement leaves the

US heavily exposed if Wednesday's central bank purchases of dollars turn out to be insufficient to turn the foreign exchange markets.

Currency intervention has worked on many occasions in the past, especially when, as now, it is intended so much to defend a particular currency level as to send a more general message to the markets about policy.

It has failed just as often, however, particularly when governments tried to fly in the teeth of economic reality.

"The key criterion is whether intervention is moving in the same direction as the underlying fundamentals would suggest, or is trying to buck them," said Mr Fred Bergsten, a senior Treasury official in the Carter administration, who now heads the Institute for International Economics, a Washington think tank.

An examination of the US economy,

which continues to grow steadily and much faster than either Japan or continental Europe, lends considerable weight to the administration's analysis of fundamentals.

In addition, the general direction of US interest rates is widely perceived to be upwards, as the Federal Reserve continues to tighten monetary policy to choke off any signs of inflation that may emerge with the recovery.

Although Japanese interest rates are not thought to have any more room to move downwards, continental Europe is still expected to see further cuts in interest rates.

The relative trends of interest rates should, therefore, make the dollar more attractive to investors.

But currency markets' expectations are built not just on the relative strengths of different economies, but on changes in those relative

strengths. Forecasts of US growth are now lower than they were at the beginning of the year, while the German economy, though still much weaker than the US, is now thought to be a little stronger than it was.

That, in turn, could mean that the Fed will not raise its interest rates as much, and the Bundesbank not lower its rates as much, as markets previously expected.

In either event, the Clinton administration is virtually powerless to do much about this. It does not want to stimulate an economy which it views as growing quite satisfactorily, without overheating, and it certainly does not want the Fed to raise rates further to defend the currency.

The question is whether the US is equally impotent to dispel the markets' expectations of a further dollar depreciation against the yen.

Senior Treasury officials believe their actions and statements should now have dispelled the markets' perception that the US was pursuing a policy of depreciating the dollar, whether actively or through benign neglect.

Mr Bergsten argues, however, that the benign neglect is not American but Japanese.

He says the only way to redress Japan's large and growing current account surplus not just with the US but with the rest of the world is through stimulating the domestic economy, lowering barriers to its markets or a further appreciation of the yen.

The US has been urging the first two policies for some time, in vain. Its chances of success have not been improved by the recent change in the Japanese government.

Close vote on US gun ban law expected

By Jurek Martin in Washington

The US House of Representatives was facing the tightest of votes yesterday on the bill banning sales of 19 different types of semi-automatic assault weapons and large magazine guns.

The bill, sponsored by Congressman Charles Schumer, the New York Democrat, has emerged as a serious test of the power of the gun lobby, which has experienced some unaccustomed setbacks around the country in recent months.

Earlier this week it appeared that the legislation would fall 15-20 votes short of securing a simply majority in the 435-member House. But a ferocious lobbying effort by the Clinton administration, bolstered by supportive letters from former presidents Ford, Reagan and Carter, had narrowed the gap by yesterday morning.

Some conspicuous converts to the gun control cause were achieved in the last 24 hours including two congressmen from Texas, a state in which the National Rifle Association has long been a particularly powerful political force. Yesterday morning, President Bill Clinton personally welcomed in the Rose Garden Congressman Steve Neal of North Carolina, who is retiring at the end of this session, as the latest convert.

However, the bill finds the Democratic party leadership divided. Congressman Jack

Brooks from Texas, chairman of the House Judiciary committee, opposes the bill and the provision out of the House last month (the 1990 version, passed last year, outlawed this assault weapons).

Mr Tom Foley, speaker of the House, is also on record opposing it, mostly out of concern to his constituents, the state of Washington, where hunting is popular. By Wednesday he hinted the world only vote "in case tie", leaving open the possibility that he might choose to oppose his president on issue.

The bill places many a biter in severe dilemmas, polls suggest overwhelming public support for such a law also desired by police and voters. Support is strongest in America's suburbs, the 1 populous political constituency.

But the opponents of control, directed by the NRA, are well financed and organized.

Their argument is that ban on assault weapons merely the beginning of slippery slope which ends in the banning of all privately owned firearms, thus, in its view, violating the constitutional right to bear arms.

Congressman Jim Chapman of the Democrat from West Virginia said: "If you polled my district, it would be a toss-up. But the calls are against it."

Panama party of dictators set for victory

Stephen Fidler looks at the main runners competing in Sunday's presidential election

The party of Panama's two military dictators, Omar Torrijos and Manuel Noriega, is heading into Sunday's presidential elections as favourite to provide the country's next head-of-state.

Front-runner is Mr Ernesto Pérez Ballad雷斯, 47, who has in the past four years masterminded the rebuilding of the Revolutionary Democratic party (PRD) which was shattered by the December 1989 US invasion which ousted Gen Noriega, now serving 40 years in a Miami jail for drugs offences. He was a financial advisor to Gen Torrijos and campaign manager for Gen Noriega's candidate for the 1989 elections, which the dictator later annulled.

Although it invaded the country less than five years ago, Washington has made it plain it can live with whichever of the seven candidates wins the one-round election. But Mr Ballad雷斯, a former banker with the economy back to its level of 1987, before US sanctions on the Noriega government sent the economy into a tailspin, his government has not received much credit for it.

In part this is because growth has been concentrated in a few sectors - including the free zone at Colon which now does an annual \$1bn of business - and the trickle down to the poorest has been limited. Unemployment stays high at 14 per cent. A construction boom is under way in Panama City, for example, but it has been financed in part by drugs money and is largely of high-priced apartments.

While allegations of corruption and involvement in drugs trafficking have been less prevalent than in the military

Milagro Benfield War - singing and qualifying as a lawyer. His absence appears to be, on balance, an electoral asset because he - if not all of his party - has no association with government corruption.

The main question over his candidature is what he and his makeshift political movement, Pape Segura - it means Mother Earth in a local Indian dialect - stand for. Its broad themes are issues such as improving popular participation in government and improving people's self-esteem, but what this would translate into in policy terms is far from clear.

The fact that the two front-runners are outside Mr Endara's *civista* coalition is widely seen as testimony to the government's unimpressive performance.

The government of Mr Endara, who cannot by law stand in the election, has been seen as indecisive. Although, it has overseen rapid growth that has brought the economy back to its level of 1987, before US sanctions on the Noriega government sent the economy into a tailspin, his government has not received much credit for it.

In part this is because growth has been concentrated in a few sectors - including the free zone at Colon which now does an annual \$1bn of business - and the trickle down to the poorest has been limited. Unemployment stays high at 14 per cent. A construction boom is under way in Panama City, for example, but it has been financed in part by drugs money and is largely of high-priced apartments.

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A Panama City barber awaiting customers this week reads a local newspaper whose headline proclaims "Blades is an American citizen". Blas is not, but has lived abroad, mostly in Los Angeles, for 20 years.

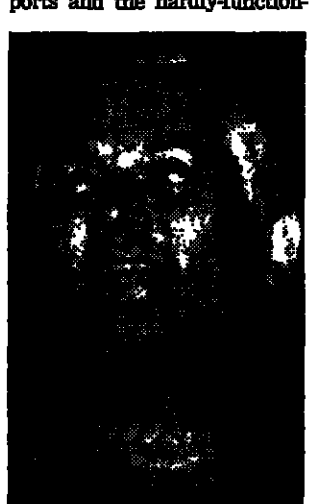
years, the probity of the government has also been called into question. The president's reputation was not helped when his young wife, Ana Mae Diaz de Endara, won the jackpot in one Christmas lottery - the biggest of the year.

Rising crime is also perceived as a problem. Endara's government has failed to adhere to the old PRD maxim of keeping the country safe and stealing everything themselves," said one banker.

The main achievements, say bankers, have been some movement towards settlement of the Noriega-era foreign debt defaults and strict control over the budget, though neither has much electoral appeal.

Critics say the coalition united around only one issue - ousting Noriega and the military. Once that was achieved and the military abolished, factionalism took over. The *civistas* could not agree on a common presidential candidate. Their leading contender is probably Mr Rubén Carles, 73, the budget minister in the current government and a former Chase Manhattan banker, but he is widely considered to be

too far behind in the opinion polls to be in contention. None of the candidates is promising much new on the economy, which has been one of the few in Latin America where there has been no significant move towards lower tariffs and market-oriented reforms. There is some talk of privatisation of the telephone and electricity systems, the ports and the hardy-function-



Ballad雷斯: front-runner

ing trans-isthmus railway, but it has not been an important campaign issue.

The centre-left PRD lays more emphasis on government spending and popular public works projects. But its ability to spend will be constrained by the government's inability both to print money (the economy is dollar-based) and to borrow it, because of a continuing default on its bank debt. Mr



Blades: outsider

Ballad雷斯's supporters say he is more likely to confront the local business oligarchy, which favours a continuation of protectionism.

The central issue facing the new government will be how it handles the takeover of some 30,000 acres of land and facilities - including 4,000 buildings, schools, houses and airports - which will be handed to the Panamanian government as the US pulls out of the country in 1999. The 10,000 US troops there now contribute an estimated \$250m to the economy, around 5 per cent of GDP.

These properties - which are full of infrastructure that the rest of the country desperately lacks - are valued anywhere between \$80m and \$300m. Some Panamanians worry the hand-over will be managed badly and the prizes will be allotted to the cronies of the next government.

Mr Ricaurte Vasquez Morales, treasury and then planning minister between 1982-88, says: "This is at the core of what the real political struggle is about: who takes control of these properties. It's like winning a war."

Company law reform fails in Brazilian congress

By Angus Foster in São Paulo

Brazil's congress has failed to approve a constitutional amendment designed to make Brazilian and foreign companies equal before the law. Under the widely criticised 1988 constitution, Brazilian companies enjoy some advantages over foreign-controlled

competitors, and these will now be maintained.

The decision, which foreign and business interests said was disappointing, is the latest in a series of setbacks for Brazil's constitutional revision, under way since last October. The revision process, seen by many analysts as crucial to restoring the government's ability to

govern, has so far failed to make any meaningful changes.

Congress voted on the latest proposal late on Wednesday but fell three votes short of the necessary 233 for the measure to be approved. As a result, it will lapse. The lack of support, blamed on congressional apathy and internal party politics, also threatens other proposals

to modernise the economy, such as allowing entry to foreign controlled mining companies.

Proposals to open up Brazil's petroleum and telecommunications monopolies have virtually been shelved.

Party leaders, who have been unable and sometimes unwilling to mobilise their parlia-

mentarians to vote because of electoral considerations, were due to meet again yesterday to try to agree a basic list of constitutional amendments. But the period reserved for the revision, which lasts until the end of this month, is nearly over and few if any important changes are likely.

The law which Wednesday's

vote maintained establishes that Brazilian companies with Brazilian capital are assured benefits and protections, theoretically temporary, to develop "activities considered strategic". It also establishes that government agencies buying goods and services should give preference to Brazilian companies.

Tinker with the motor but head in the same direction

Mexico's probable next president, Ernesto Zedillo, outlines his plans to Damian Fraser

Mr Ernesto Zedillo, presidential candidate of Mexico's governing party, comes from the same cadre of US-trained economists that has dominated public policy in Mexico over the past six years, so it is not surprising that he is a staunch supporter of the pro-market economic and social reforms that have marked the presidency of Mr Carlos Salinas.

Nevertheless, Mr Zedillo insists that if, as is probable, he wins the election in August, there will be some significant changes in economic and social policy. Mr Zedillo diplomatically says the current government has not had time to embark on all the reforms necessary to make the economy more efficient, and the country more prosperous.

In an interview, Mr Zedillo highlighted three areas where new policies could be expected. However, he was careful to support the government's cur-

rent conservative macro-economic policy, and underlined his commitment to a stable currency and low inflation.

Legal reform. Mr Zedillo called for a fundamental reform of Mexico's notoriously inefficient and corrupt legal system. This is an issue that Mr Salinas has hardly touched.

But after the assassination of Luis Donaldo Colosio, the late presidential candidate, and the rise in organised crime highlighted by recent kidnappings, legal reform has become a central theme of Mr Zedillo's presidential campaign.

Mr Zedillo said he would seek to modernise criminal laws, reform the judiciary and police and change the role of public prosecutors in the justice system. Judges, he said, should be more independent of the government than they are now and more responsive to

the public. He hinted at some form of citizen or congressional input into selection of judges.

Mr Zedillo said that the absence of a strong legal system not only affected the administration of justice but was an impediment to economic efficiency. "I believe that one of the essential conditions of sustainable economic growth is that a rule of law prevails. I am sure that respect

for the law will lead to more investment."

Micro-economic reform. Mr Zedillo promised to continue deregulation of the economy, which he believes has not gone far enough. "Despite the efforts that we have made in this administration, there are still regulations at the national and state level that impede the flow of investment and obstruct the productive process." Specifically, Mr Zedillo pointed to a

simpler tax system to help medium-sized and small businesses, and significantly would not rule out a change to the current restrictive federal labour law.

However, the candidate also talked about a more active role for the government in business. He said that his government would do more to help business train workers, acquire modern technology, and borrow at low interest rates than

has the current administration.

Democratic and governmental reform. Mr Zedillo insisted that it was "indispensable to move ahead with democracy - it is an essential condition for the development of the country." Disagreeing with those who argue that recent social and democratic reforms have contributed to current instability in Mexico, Mr Zedillo said more democratic changes would

strengthen the government's capacity to govern.

Mr Zedillo proposed a decentralisation of Mexico's government, giving more powers to states to run their affairs. In this he was following closely the policies outlined by Mr Colosio, for whom he worked as campaign manager. Mr Zedillo further said he believed that Mexico's impotent congress should be given more authority to scrutinise legisla-

tion.

However, Mr Zedillo appeared to shy away from a reform of the Institutional Revolutionary party (PRI), which is the democratisation of the country. He said: "The problem of democracy is not just of the PRI - it is a problem of all the political parties. What is important for democracy in

Mexico is that there is equitable competition between all the parties."

Mr Zedillo seems determined to keep the PRI united in the run-up to the election and apparently sees no contradiction between reaching out to the more unsavoury elements in the party and promising more democracy. He vehemently defended Mr Carlos Hank Gonzalez, agriculture minister, who has been accused of using public funds to rally support for Mr Zedillo, saying the attacks were orchestrated by the opposition to discredit the PRI.

While Mr Zedillo's campaign is more austere than those of the PRI in the past, the competition between the political parties is hardly equitable. Mr Zedillo far outpaces opposition candidates and, unlike the others, flies around the country in a private jet lent by a businessman and enjoys highly favourable television coverage.

Insurers
MAY
CROSS

Insurers face \$16m payout on Ayrton Senna

By Richard Lapper

Insurers, including underwriters at the troubled Lloyd's of London, face a payout of at least \$16m following the death last weekend of Ayrton Senna, the racing driver.

Senna, a three-times Formula One world champion, died from injuries sustained during the San Marino Grand Prix on 1 May. He was covered against death and injury by a personal accident policy, underwritten by both insurance companies and Lloyd's syndicates. Typically policies cover annual income, medical and other expenses.

Additional multi-million dollar insurance claims are also expected to emerge on so-called "death and disgrace" policies, which cover most of Senna's sponsors against any loss of advertising revenue and extra expenses incurred as a result of the death or injury.

One of these policies is understood to provide cover of at least \$5m. A range of other companies also insured the value of endorsements given by Senna in return for a fee to their products.

Senna's death follows that of a rival grand prix driver, Roland Ratzenberger at San Marino on 30 April and only a week after the death of boxer Bradley Stone, who collapsed last week hours after an unsuccessful challenge for the super-bantamweight title.

The payout looks likely to be the highest ever by personal accident insurers to a sportsman and is expected to lead to a contraction in the highly specialised corner of the insurance market.

Annual premium income from professional sportsmen's personal accident premiums is estimated to amount to about £30m, of which between 10 and 15 per cent is generated by racing drivers.

Professional soccer players account for up to 40 per cent of the total.

Previous heavy claims include \$14m paid to an American footballer paralysed after sustaining critical injuries. "This is one of the largest personal accident losses of any sportsman," commented one broker. Senna, who was widely regarded as one of the safest grand prix drivers, is understood to have paid some \$500,000 for a policy which covered accident and medical expenses. For

the personal accident element of the policy, the basic rate of 0.75 per cent (of the sum insured) was at the lower end of the range of rates charged to racing drivers.

Motor racing drivers can pay up to 1.5 per cent of the sum insured for basic PA cover. The broker said that following safety improvements in recent years insurers rated the policies with the expectation that claims would cover injuries and medical costs rather than death.

Many still in dark over cross-channel route

The Queen and President Mitterrand will officially open the Channel tunnel today. But, despite the publicity surrounding one of the most ambitious engineering projects this century, many potential travellers are still in the dark about how it will work. Here is a user's guide.

When will the tunnel open?
That depends on who you are. Truck drivers may be able to start using the tunnel from next week but car drivers will have to wait until July. Details have yet to be given but Eurotunnel hopes then to offer a limited service for shareholders, long-term supporters of the project and others "by invitation only."

About 50,000 car-loads of special invitees are expected to make the trip at reduced rates or for free before a nearly full-scale paying service starts in September/October.

Through train services on Eurostar trains between London Waterloo and Paris and Brussels are expected to start up sometime in the summer, again initially with only a limited service.

Can I drive through the tunnel?
No. If you take your car you will have to put it on one of the shuttles which will run between Folkestone and Calais.

Can I put my car on a shuttle in London, Paris or Brussels?
No. The Eurostar services between the three capitals are for foot passengers only.

What will it cost?
Fares for the car shuttles will range from £310 at peak

Charles Batchelor previews the tunnel service

summer weekends for a car and full complement of passengers falling to £220 in winter. These prices are roughly comparable with ferry prices but they discriminate against, for example, business travellers alone in their car or couples.

Fares for the Eurostar services have yet to be announced. Business travellers paying full fare can expect to pay a similar price to the airline fare of around £200 but special deals for leisure and off-peak travellers could be as low as £80 return.

Will it be safe?
Eurotunnel calculates that a trip through the tunnel should be 30 times safer than a similar train journey above ground.

Tough safety standards have been enforced by independent inspectors and safety has been designed into the tunnel and its signalling systems. The two running tunnels mean trains never run in opposite directions on the same line while shuttle carriages are designed to contain fire for 30 minutes.

The tunnel has also been built through chalk marl, a soft rock impermeable to water, at depths of between 80 and 150 feet below the sea bed so a sudden influx of water is unlikely.

But travellers will be expected to stay with their cars on

the shuttles. If a car develops a petrol leak and catches fire passengers would have to move to the next carriage quickly. There are also fears that the open lorry shuttles (car shuttles are enclosed) would mean a fire or fumes could spread more quickly.

How long will it take?
If you are just taking a shuttle through the tunnel the motorway-to-autoroute time is just over an hour of which half is spent actually in the tunnel. If you are travelling by Eurostar the London to Paris journey time will be 3 hours and London to Brussels time will be 3 hours 15 minutes.

These through journey times should be cut to 2½ hours and 3 hours 10 minutes respectively after the Belgians complete their high-speed link in 1996 and the British build their Channel tunnel rail link by around 2002.

The Eurostar trains should provide a faster, more convenient service between the three capitals than is possible by air. The advantage of the train is it delivers travellers to the city centre, it is not susceptible to fog or other airline delays and it also provides an uninterrupted journey.

What are the facilities for relaxing during the journey?
Eurostar travellers will have the normal facilities of a train journey including meals (served at your seat for first class passengers) and a bar.

But travellers on the shuttle have only "a loo and a light bulb," as the ferry companies like to describe it.



Voters make their way to a polling station in London's East End where legal monitors were present due to fears of intimidation. The area was tense following recent victories by the far-right British National Party. Elsewhere more than half the nation's electorate was eligible to vote in local polls seen as crucial to the fortunes of the government and the prime minister. Picture: Colin Brown

Workers 'lured' to east Germany

By Andrew Taylor, Construction Correspondent

Hundreds of British construction workers lured to east German building sites by the promises of high wages have been left destitute after being cheated by unscrupulous labour agencies and employers the UK Building Employers Confederation (BEC) warned yesterday.

Arrangements to ship home 150 distressed construction workers was made in a single month this year by British consulates in Germany according to the UK foreign office.

One 19-year-old Londoner was paid the equivalent of £10 for four weeks grinding the

surface of bricks in a German car park before being dismissed for allegedly poor work.

Conditions on the site were very poor and the worker was not provided with a mask, said the BEC, which has interviewed a number of recently returned workers.

It claims many more are still trapped or trying to make their way home, unpaid. British consulates will help individuals trace friends and relatives who might pay for fares and make travel arrangements but do not provide money.

A big rise in eastern German construction following the unification of the country has increased demand for cheap labour sucking in thousands of

temporary workers from eastern Europe, Turkey and also from Britain.

German construction workers under the country's strict labour laws are much more costly than foreign workers many of whom are uneducated or do not speak the language and find it difficult to complain about appalling living standards or dangerous working conditions.

Mrs Elizabeth Bridge, BEC's director of taxation services, said she was alerted to the scale of the problem after UK construction workers requested information on how to reclaim German tax paid on wages. They had been duped into accepting lower wages on

the false grounds that British authorities would repay the tax.

Many of the labour agencies advertising for bricklayers, plasterers and scaffolders in British national newspapers are based in Belgium or Holland outside of Germany where they would be illegal. Job seekers mostly are interviewed in bars or public places.

A 36-year-old scaffolder who answered an advertisement in the Sun newspaper was told to make his way to a Frankfurt hotel where he waited for three days with about 50 other workers. Their potential employer never arrived and the scaffolder was left with a £400 bill. The agents could not be traced.

Super tram venture appeals for funds

By Charles Batchelor, Transport Correspondent

Promoters of a £112m plan for a West Midlands "super tram" yesterday relaunched their appeal for government funding though approval in next November's budget would still mean a delay of four years in starting the service.

Centro, the West Midlands passenger transport executive, has formed a joint venture with two private sector companies to build a 13-mile long tram link between Wolverhampton and central Birmingham. The Midland Metro would be the third modern light rail system to be built in the UK after similar projects in Manchester and Sheffield.

It has been delayed by pressure on government finances which have meant that the £102m of public sector funding has not been sanctioned. Approval in November would mean services could start in 1998, four years late.

The Midlands proposal involves the greatest transfer of risk to the private sector and the largest private sector contribution to a light rail project, said Mr Bob Tarr, Centro director general.

Centro's two private sector partners, the John Laing construction group and the Italian supplier of rail systems, Ansaldo Trasporti, would put £9.2m into the project in return for a 23-year operating concession, including a three-year construction period.

Centro is seeking a further £60m in UK public sector finance and £22m of European Union funds. The UK public sector contribution will comprise £40m of government grant and £40m raised by local authority borrowing requiring Treasury approval.

All the operating risks have been transferred to Laing and Ansaldo, the two companies said. If the project does badly they pull out they forfeit a £5m deposit to Centro while if "super profits" are made on the line a share will also have to be paid to Centro.

Total

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NEWS: UK

EU court blow to pensions for all at 60

By Robert Taylor,
Labour Correspondent

Women in Britain hoping European Union law would help them secure a full pension at 60 suffered a setback yesterday.

The advocate-general of the European Court of Justice said EU law did not prevent an employer raising a woman's pension age to 65, the same as a man. The court usually confines the advocate-general's opinions.

The case being considered by the court involves 78 women who work

for Avdel Systems, a company in the town of Bedford, north of London.

They had planned to retire at 60 on full pension but were told by their employer in July 1991 that unless they continued to work until they were 65 their total pension entitlement would be cut by 20 per cent.

"We are obviously disappointed for the women," said Ms Kamlesh Bahl, chairwoman of the Equal Opportunities Commission, the UK equality watchdog. "They have lost substantial pension rights as a result of the change and feel it is wrong that in the

name of equality those rights have been taken away."

Mr Alan Jenkinson, policy director at Sedgwick Nobles Lowndes, employee benefits consultants, said: "The opinion goes further than general practice in this country, as few employers are equalising pension ages for service up to May 1990.

"But it is unlikely employers will take full advantage of it. Not only will it complicate the administration of their pension schemes, but the changes it will bring would be harsh on their female employees."

The European Court's Barber v Guardian Royal Exchange ruling in 1990 found that pensions were part of pay, so men and women had to be treated equally. Occupational pension schemes had to remove sex discrimination from their rules - including the different ages at which pensions begin.

Yesterday's opinion, if confirmed, would mean employers could set the retirement age and would not, under European law, have to preserve any previous advantage held by women. They would still have to ensure,

however, full equality of pension entitlement for service after May 17 1990, the date of the Barber ruling. Under a European court ruling last October employers are not obliged to pay equal pensions to men and women for service before May 1990.

For the women at Avdel Systems, pension rights would be protected only between May 1990 and July 1991 when the company raised the age of their pension entitlement. For service before May 1990, the European Court has held that European equality law does not apply.

Britain in brief

Hunt losses
Nissan UK
appeal

Mr Michael Hunt, the former Nissan UK managing director jailed for eight years after being found guilty of the largest corporate tax fraud in UK history, yesterday lost his appeal against both conviction and sentence.

Three appeal court judges upheld the majority verdict reached by the trial jury last June convicting Mr Hunt of conspiring to cheat the Inland Revenue of £55m.

The fraud involved Nissan UK, former importers of the Japanese car, using an intermediary company and false invoices to artificially increase freight charges and so avoid corporation tax over a nine year period.

Giving judgment, Lord Justice Stuart-Smith said the eight year sentence was "not a day too long".

Abta to use
detectives

The Association of British Travel Agents is launching a two-pronged crackdown on tour operators and travel agents - including the use of private detectives - to safeguard customers against companies going bankrupt.

Members voted nine-to-one at the association's annual meeting last weekend to give the secretariat more powers to look into companies' accounts and activities at any time - for example, if it suspected a company of engaging in activities of which it was not aware.

Russian car
group duped

Three British businessmen were convicted yesterday of a multi-million dollar fraud on a Russian automotive company trying to set up a large scale kit car assembly

operation following the collapse of the Soviet command economy. The fraud, centred around the non-delivery of goods paid for in advance by the Russian Autokam company, is seen by UK police and prosecutors as a prime example of the vulnerability of emerging Eastern bloc entrepreneurs to outside exploitation.

Hoskyns seeks
role in Crest

Hoskyns, one of the UK's leading computer services companies, has announced it will compete with the London Stock Exchange to become the independent supplier of full operational facilities for the Crest paperless share settlement system.

It is thought that in addition to Hoskyns and the Stock Exchange itself, potential competitors for the Crest contract include AT&T, British Telecom and EDS.

Shoppers face
coffee rise

Shoppers could face further increases in the cost of coffee after a surge in the international market has sent wholesale prices rocketing in recent months. The London Commodity Exchange's coffee futures price has risen by 40 per cent or \$470 a tonne since the beginning of the year.

A squeeze in coffee supplies on the world market has pushed prices up by \$117 a tonne this week alone and although the market slipped back slightly yesterday, analysts say the long-term trend is upwards.

Nationwide
unravels links

Nationwide Building Society is to set up wholly-owned life insurance and unit trust subsidiaries which are due to become operational next summer. The move marks a further unravelling of the links that have existed between life insurance companies and building societies.

The society currently acts as a "tied agent" for Guardian Royal Exchange, the composite insurance group, selling only Guardian insurance products.

Supermarkets
to face courts
over brands

By Robert Peston

Brand manufacturers are planning to launch a series of court cases against supermarkets that sell look-alike products, having become convinced that a full-scale war with the big supermarket chains has become unavoidable.

Their fears of being damaged by supermarket products packaged to resemble market leading brands have been underlined by an NICE opinion poll they have published showing that more than a fifth of all consumers have bought supermarkets' own brands in the mistaken belief that they were purchasing a leading brand.

John Murphy, chairman of the brand development company, Interbrand, and spokesman of the British Producers and Brand Owners Group, said that the brand manufacturers felt that they had been exploited by supermarkets for too long.

He said the brand owners would be launching a series of law suits alleging that supermarkets were "passing off" in the packaging of products.

Coca Cola is widely expected to initiate the legal campaign with a passing-off case against Sainsbury for allegedly infringing its intellectual property rights.

"We have made our views known to Sainsbury", said Mr

Peter Stokes of Coca Cola.

"However, I cannot comment on what further action we will take until our talks with the company are completed."

Mr Murphy said that Sainsbury was likely to be the target of several cases. Manufacturers might launch a case against the group in France, where the chain has recently opened a shop in Calais and where the legal restrictions are much tighter than in the UK.

The NICE poll was conducted three weeks ago and involved interviews with 1008 shoppers. Of these, 42 per cent said they had picked a supermarket's product off the shelf thinking it was a manufacturer's brand and 21 per cent said they had mistakenly bought a look-alike.

Equally worrying for the brand manufacturers is that 41 per cent believed - mistakenly - that supermarkets' products were made by the manufacturers of the market leading equivalents.

The results seem to contradict a MORI poll for the British Retail Consortium of 514 shoppers which found that 78 per cent of shoppers said they never confused branded goods and look-alikes. The brand owners group, which includes Procter & Gamble, Unilever, Nestlé and Mars, has failed to persuade the government to amend the legislation to introduce curbs on look-alikes.

German buyer for Lancer Boss

By Andrew Baxter

The future of Lancer Boss was finally resolved yesterday when administrative receivers to the last big UK-owned producer of lift trucks announced they had sold the business to Germany's Jungheinrich.

The deal, which was welcomed by managers and employees at Boss, ends one of the most extraordinary receiverships in UK corporate history. It secures the future of 700 jobs at Boss factories in Leighton Buzzard, Bedfordshire.

Terms of the deal were not disclosed, but it is understood Jungheinrich paid about £18m, excluding debtors, for the Lancer Boss Group and associated companies in the UK, Ireland and Austria.

The deal - which sees the last significant UK-owned lift truck producer pass into foreign hands - follows intense negotiations in the past few days involving Grant Thornton, the accountants who were appointed administrative receivers on April 8, and the three bidders. Jungheinrich, based in Hamburg, was persuaded to raise its bid "very significantly," outbidding Terex of the US and a proposed management buy-in.

Mr Allen Griffiths, a partner at Grant Thornton and one of the administrative receivers, said the price paid by Jungheinrich was "at the very top end of our estimates."

He would not say how much Boss' banks, led by National Westminster, would receive, but said they were pleased with the deal. Lancer Boss called in the

receivers on April 8 after German banks withdrew support from Steinbock Boss, the UK company's big German unit, prompting it to call in a German receiver.

The case quickly highlighted the difficulties of selling a group with borrowings and operations in different European countries when there are no standard European insolvency rules.

Yesterday, Mr Griffiths said there would have been more international interest in Lancer Boss if he had been able to sell the UK and German sides of the business together.

He warned that a split receivership could recur, especially with medium-sized UK companies whose European operations are financed locally, and said he would be sending a report to the Department of Trade and Industry on the lessons learned from the affair.

Jungheinrich was always considered the leading contender for Lancer Boss after its purchase of Steinbock Boss. Mr Bob Bischof, chairman of Jungheinrich (GB), defended his company's role in the affair against accusations of a "conspiracy" against Lancer Boss.

He claimed the combined price paid by Jungheinrich for Lancer Boss and Steinbock Boss was virtually the same as it had offered before the receivership to the group's former owner and chairman, Sir Neville Bowman Shaw.

Mr Bischof said he was "absolutely sure that no conceivable scenario would endanger jobs" at the Leighton Buzzard plant.



Dr Ing Hans-Peter Schöchl of Jungheinrich (left) and Alan Griffiths, the Lancer Boss receiver, yesterday. Picture: Fergal White

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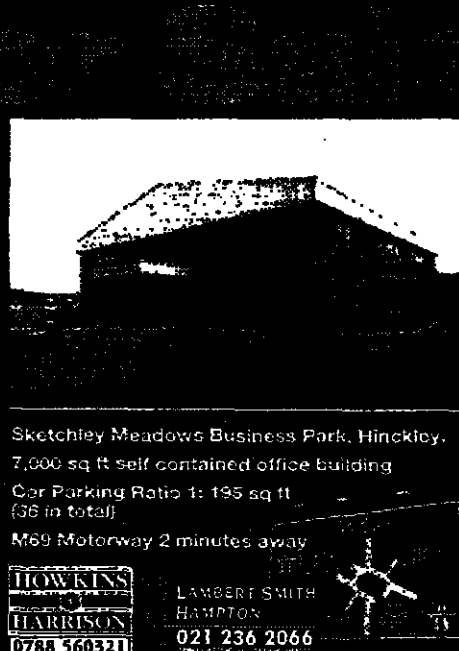
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PEOPLE

Foreign policy expert joins Morgan Grenfell

Sir Rodric Braithwaite, 61, the former foreign policy adviser to Britain's prime minister, has found a City job.

He has been appointed a senior adviser to Morgan Grenfell, the UK merchant bank owned by Deutsche Bank.

Sir Rodric, right, who is also on the European advisory board of ICL, is one of the diplomatic service's most experienced figures, with 37 years notched up, including serving as ambassador in Moscow during the difficult years of 1988 to 1992.

Although he has spent time in Rome, Brussels and Washington, it is Sir Rodric's Russian expertise which will be most useful to Morgan Grenfell; he is fluent in Russian. He is expected to spend about three days a week on bank business.

The merchant bank has been a major player in Eastern Europe for many years.

It was the first UK merchant bank to open an office in Moscow (in 1977) and has arranged over 90 per cent of the export credits to the former Soviet Union.

More recently, it has completed the first limited recourse financing for an oil

project in Russia, and is also advising British Gas and Agip on the \$6bn Karachaganak gas field development in Kazakhstan.

Whereas most merchant



banks tend to recruit ex-diplomats as non-executive directors, Morgan Grenfell prefers to hire them as advisers.

Last year, Morgan recruited Sir John Whitehead, a former ambassador to Tokyo. This latest appointment, of Sir Rodric, will bring the bank's total of special advisers to four.

Wetherspoon recruits for a heady future

Tim Martin, the 38-year-old New Zealander who founded and then floated the pub operator JD Wetherspoon, has brought in another young man to help him run the rapidly-expanding chain.

Martin has shared the roles of chairman and managing director since the group came to the market in October, 1992 - a period which has seen the size of its estate grow from 44 pubs to 77.

The choice of Mark McQuater, 34, as the group's new managing director seems partly designed to allay any concern among institutional investors that Martin might overstretch himself, as the group expands beyond its London base.

If reassuring institutions was their brief, the headhunters who came up with McQuater appear to have pressed all the right buttons. A Scottish chartered accountant, he has experience with both big-company procedures in the drinks industry and the City.

For the last five years McQuater has been working in Scotland with Natwest Venture, the clearing bank's venture capital arm. Before that, he spent three years with Scottish and Newcastle Breweries, working on corporate transactions and group planning.

McQuater - who Martin first met in 1987, while signing a deal with S&N - will concentrate on the day-to-day management of the group, allowing the chairman to concentrate on strategic development.

JD Wetherspoon's slick marketing - which involves reserving up to a third of its bar space for non-smokers - has proved successful; another 10 pubs will soon open.

The splitting of his roles is unlikely to mean a drop in salary for Martin, who last year earned £128,000, but the issue is scarcely a burning concern. The group's shares have more than doubled since coming to the market, and the 18 per cent stake held by Martin and his wife is now worth nearly £28m.

New finance director at Green Property

In the space of six months, Green Property, the Dublin-based property investment and development group, has recruited its second corporate finance specialist from the Investment Bank of Ireland (IBI) stable, one of Ireland's leading fund managers.

The 42-year-old Danny Kitchen is leaving his post as a director of IBI Corporate Finance to join Green Property as its new finance director.

He will be replacing David McDowell, who will continue as a director on the board and as company secretary.

Kitchen has worked closely with Richard Hooper, who last September retired as the managing director of IBI corporate finance and was immediately recruited onto Green's board as a non-executive director by Stephen Vernon, Green's managing director.

Hooper has been involved in most of the major corporate finance deals in Ireland for the past two decades.

Belfast-born, Kitchen was educated at Queen's University

and went on to work for Northern Bank, subsequently joining IBI in 1980.

He advised Green on its 1942m acquisition last February of the Irish Merchant Navy Officer's Pension Fund property portfolio, which consists mainly of office buildings in Dublin's city centre, and its part-financing through a successful 126.3m three-for-four rights issue.

Vernon said yesterday: "I wanted to take on someone with the appropriate corporate finance skills the company needs and Danny is the best man around."

Vernon has been on Green's board since 1989 and became managing director in September last year, four weeks before Hooper joined the board.

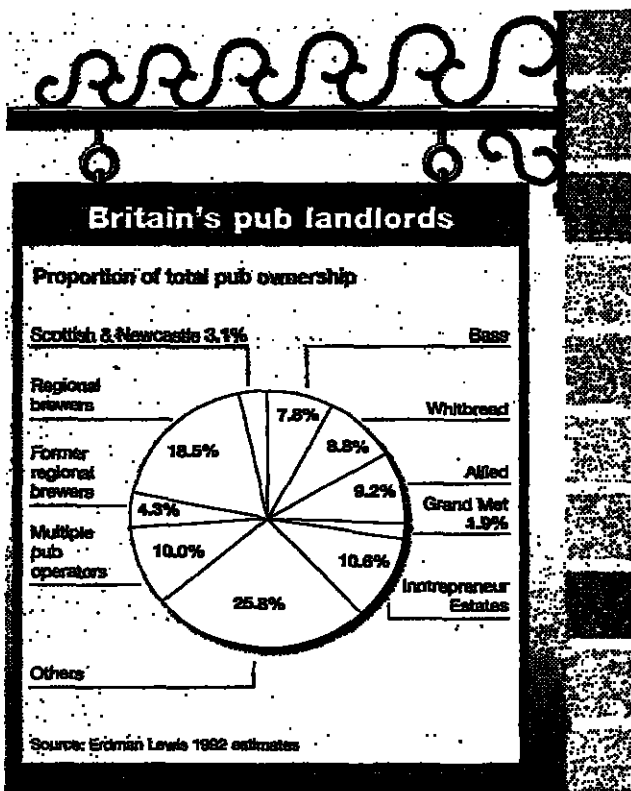
His main experience has been in the UK property market. He added yesterday that Kitchen will now bring specialised knowledge of the Irish property and financial markets into Green.

The company has "ambitious plans for further growth and development," he said.

PROPERTY

An appetising brew

Investors are increasingly heading for the pub. Vanessa Houlder explains why



Increasingly creative ways to finance their pub estates.

Opportunities for investors could also arise with the emergence of licensed retailers such as J D Wetherspoon, Regent Inns and Grosvenor Inns.

According to Erdman Lewis, property investors are prepared to regard this type of company as acceptable tenants.

The market has been slower to take off than some analysts expected. Brewers have so far shown little appetite for striking sale and leaseback deals while finance is available from more conventional sources.

They may also be holding back while there is continuing uncertainty over the structure of the pub industry until the European Commission reviews

in 1997 the competition exemptions that enable British breweries to operate the tied house system.

But an equally important brake on the market is investors' reticence. This reluctance is not entirely the consequence of unfamiliarity with the sector. In a survey of investors that own more than £30m of direct property holdings, Conrad Rithlat Sinclair Goldsmith found that 40 per cent already held pubs as investments in their property portfolios.

lio, usually as a result of a larger property holding, which in many cases was historic. One of the most serious obstacles blocking direct institutional investment in property is a difference of approach between investors and tenants

concerning the method of rent calculation. Traditionally, pub operators have based their assessment of rents on the potential trade that could be generated from a pub. This basis of assessing rents deters investors accustomed to calculating rent on the basis of total floor area.

When Conrad Rithlat Sinclair Goldsmith surveyed investors it found that rent calculation methods topped the list of concerns. "Problems with rental calculation are evidently preventing investments in public houses," it concluded.

The poor quality of information about rental and capital values is another inhibiting factor holding back potential pub investors. In the Conrad Rithlat Sinclair Goldsmith survey, nearly all investors said this factor has resulted in poor market awareness. "In any event, an index demonstrating rental and capital growth is a prerequisite to any significant investment market being created," it said.

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The low value of the average pub deal and the heavy toll on management time and effort is another disincentive. Institutions frequently require portfolios of between eight and 50 pubs or big city centre sites, to make it worth their while in investment terms.

Potential investors are also concerned about the perceived oversupply of pubs. The brewing industry expects the closure of a further 10,000 pubs in the next few years from a total of about 60,000 at present.

The concern over a possible flood of pub sales over the next few years is reflected in the higher values commanded by those pubs which could potentially be put to alternative use. An urban pub, with a strong potential for alternative use, will command much higher prices than a rural pub.

The dilemma facing potential investors is that some obstacles to the development of a pub investment market, such as the lack of a rental index and the method of rental calculation, are unlikely to be changed in the early stages of the market's development.

Investing in pub property may have attractions, but at present it is strictly for pioneers.

All companies are different, but their information systems all need the same care.

As a world leader in IT services, we've hatched quite a few successful projects over the past 25 years. Yet none of them is like any other. What they all share, though, is the careful way we nurture complex, delicate elements to create a powerful business solution. This means knowing when to reuse proven experience to respond to your individual needs. Or making sure your system matures in time to help your entire organization grow. And it means jealously guarding our independence — and yours — so the solutions we provide never crack under the weight of inflexibility. We handle every customer's needs, however varied, with the same consistent care. Which is, precisely what makes the way we treat you so unique. To contact us, please call 33 (1) 47 54 50 81.

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MANAGEMENT

The number of women at the top of business appears to be falling. This week a survey by the Institute of Management showed that the number of women managers and directors in the UK's biggest companies fell by 6.9 per cent last year. The trend in the US and Canada is also downwards.

Given that many large organisations have affirmative action programmes for women, this situation may seem surprising. Following research in North America I would argue that it has come about because of two filtering biases: sex-based stereotypes and performance management or appraisal.

A sex stereotype consists of ideas concerning ability, skills and preferences which are based on the sex of a person rather than their behaviour and job performance. Stereotypes are short-cuts to decision making because they use the obvious - for instance, is someone male or female? - rather than judging a person's knowledge or evaluating what they have done in their work.

Many people in general believe that women have more "expressive" skills (more relationship-oriented, helpful, emotional, supportive, consensual) and that men have more "instrumental" skills (more autonomous, independent, assertive, take greater risks, are more focused on attaining objectives).

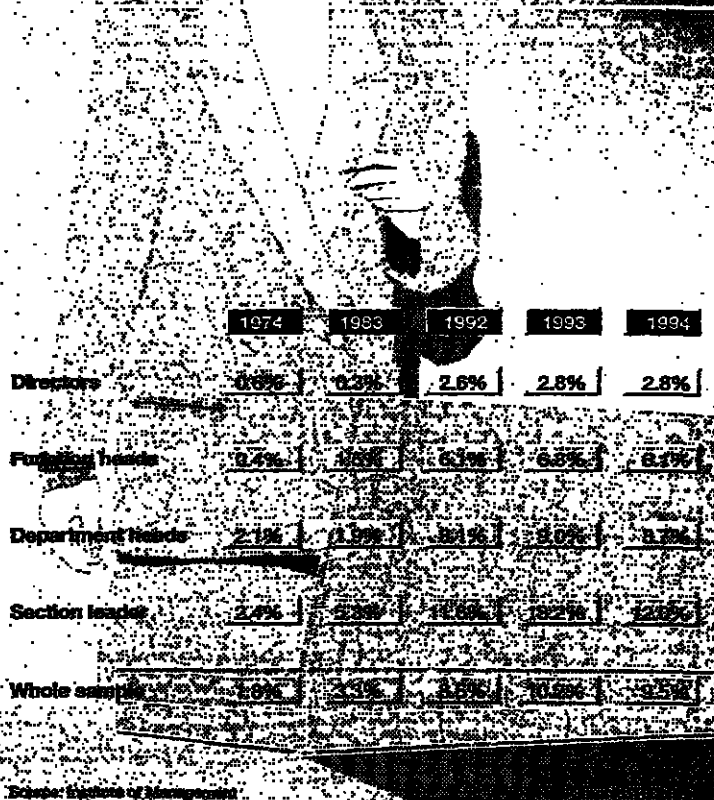
Some psychologists would push our acceptance of the biological differences to believing that these are the basis for different abilities, motivation and personality. Stereotypes are easy-to-use views of people in general, having a grain of truth. The point is that they are based on men and women non-managers in the general population.

Our research asked women and men managers (matched on socio-economic status, salary, position, years of work experience and months of supervisory experience) to describe the meaning of the motivational components of their jobs. The stereotypes would suggest that male managers would primarily offer "instrumental" motivators - for example: "I'll exceed my sales quota"; while the women managers would give "expressive" motivators such as: "I'll feel better".

We found no differences whatsoever. Our results offer no support for the argument that the work motivators for women versus men managers lie in two different worlds.

Critics might still argue that even if their motivations are similar, the behaviour of the sexes - the way they go about realising those motives - is different: that is, "expressive" for women managers and "instrumental" for men. No doubt promotion and selection board members can selectively recall some candidate behaviours

British female managers - growth, now



Women on the move

Michael McCarrey gives his view on why the number of female directors in the UK has fallen

that do fulfil their biased expectations. But this is an example of the self-fulfilling prophecy.

Performance management is the most blatant smoking gun to sex inequality in management jobs. The basic problem is the lack of weight given to the task by CEOs and executive cadre who, in spite of saying the opposite, feel performance appraisal is good for their subordinates, but not for themselves.

Most managers in a group of top US Fortune 500 Companies, for example, did not feel that performance management was a legitimate part of their job as a manager. In their corporate cultures the implication is that the assessment

process really belongs to the human resources department, which is seen as complicating the manager's job with armloads of cumbersome, time-consuming forms (in whose design they have had very little involvement). Consequently, line managers are rewarded for tasks which do not include real steps towards the development of their subordinates.

Performance management works to the detriment of women managers because of the way it combines with the aforementioned sex-based stereotypes. It is precisely because performance management is time consuming, difficult and seen as peripheral, that supervisors are too

often tempted to use sex-based stereotypes to accelerate or simplify the appraisal process.

For example, our research found that compared with egalitarian supervisors (identified as those who had few sex-based stereotypes), traditional supervisors (who had many stereotypes) devalued the work of their women subordinates. They appraised them as less able to direct their subordinates autonomously, promote their career development, or effectively monitor their day-to-day results.

Little wonder then that an increasing number of women managers react, not so much against the tough demands of modern management regimes as against biased performance management outcomes. Some women managers have been leaving to run their own companies where stereotyped performance management evaluations will not work to their disadvantage.

Companies that insist on real results in reducing gender inequality in their managerial workforce need to examine their corporate culture and determine the role given to performance management, by comparison with their (other) strategic goals. If the same weight is not given to the improvement of human capital as to market share, profit and other organisational priorities, small wonder the human resources function is often viewed as unrelated to the "real" goals of the company. The acid test here is: do the job descriptions of all staff (board of directors, executive, administration) include meaningful percentages of weights and time spent in subordinate development with examples of what this means in practice?

Many younger companies in fast-moving, high-tech fields have no job descriptions, nor do many self-directed work teams. They need procedures such as weekly or monthly scrutiny of the team "job" description with action statements when indicators show poor outcomes across team goals.

Second, companies insisting on real results in reducing managerial sex inequality need to examine the corporate culture of their board of directors, executives and administration for the less overt instances - attitudes, prejudice, defensiveness, posturing, territoriality - of sex bias in recruitment, selection and performance management.

Almost 20 years ago a prominent bank's chairman in Canada reported that the bank was unable to appoint a woman to the board. In response to public outcry and, one suspects, a drop in retail banking market share, the bank appointed an outstanding woman who met the criteria for board membership.

The author is a professor at the Faculty of Social Science, University of Ottawa.

CHRISTOPHER LORENZ

Cross-border victory, national casualty



How time flies. Four years ago a government affairs executive from a big American multinational was heard complaining about a nagging problem. How

could the company tell governments, without causing a storm, that the changing technology and economics of its industry were undermining its ability - and that of many competitors - to remain a "good corporate citizen"?

To be specific, how could it convince seemingly deaf officials that slower market growth, plus the scope for greater cross-border economies of scale within Europe and across the globe, would soon make it impossible for many multinationals to maintain a balance of activities between countries?

Put bluntly, they would soon need to develop products in only one or two European countries, and to make them in just a handful. There would have to be some painful relocations.

Today even the deafest government official is all too aware of the problem. The arrival of the single European market has combined with recession and greater global competition to force companies after company to reconfigure its network of activities.

For understandable but misguided reasons, the relocation of existing factory work tends to grab more headlines than the reconfiguration of higher value-added activities - such as research, design and engineering - on which future businesses depend.

In the last fortnight there have been several such moves. One of the most widely publicised was LG's transfer of condom manufacture from Britain to Italy and Spain. Moncler also announced the shift of textile-making from the UK to its native France.

But the two most significant decisions came from Texas Instruments, the US electronics group, and from Ford.

near London. It also plans to transfer two of its four highest technology development teams in the UK to Germany and France. A smaller number of engineers will move in the reverse direction to join one of the other UK teams.

Even more sweeping is Ford's merger of its North American and European vehicle operations, which have always worked separately. Europe will become the global product development and management centre for small and medium-sized cars, while America takes the rest.

In one sense the TI and Ford changes are the latest examples of a new standard 1990s phenomenon: the migration of multinationals away from geographic structures towards global ones.

Because of the circumstances of its industry and its corporate history, Ford is a generation ahead of TI and many other companies in this process; it is moving from regional to global, while they shift from national to regional.

But in other ways, the moves by TI and Ford challenge conventional wisdom about how multinationals should operate.

Take TI first. Other large US multinationals, such as 3M and Hewlett-Packard, have been able to abandon country-based structures without affecting the scope and depth of their operations in major European nations. Units in France, Germany, Italy, the UK and elsewhere have been given regional or global responsibility for particular businesses and product lines. Their manufacturing and product development have been reinforced, not reduced.

Sadly, 3M and HP are in the minority. TI's problem, and that of most other US and European companies, is that their range of activities in Europe is not broad enough, or breakable into suffi-

ciently small units, to be spread evenly across the region. Nor has TI been growing fast enough to emulate 3M and HP.

But this does not explain its need to move two teams of engineers out of the UK. The one being moved to Germany was too small to stand alone. But this is not true of the other.

TI says it decided that the British team, which works on digital signal processing for use in multimedia and information highways, should be brought together to create "synergy" with a similar group in France. Nice was the best location, even though it is further than southern England from TI's main European customers.

But why co-locate the groups at all? Why, in these electronic days, could they not be kept in different locations, able to communicate with each other at will?

Given all the complexities of developing new products, co-location is always ideal. But in order to tap skills around the world and to be responsive to market differences, networks of far-flung specialists often have to work together. Such networks are supposed to be one of the hallmarks of the modern multinational.

Which brings us to Ford. Unlike TI, it is retaining, at least for now, its existing European design, development and engineering centres - in Germany and Britain. The financial and political costs of merging them would be high.

But it has admitted in the past that it suffers a cost penalty from having two centres in the same region. Its new global managers will be hunting hard for productivity increases in engineering.

Ford could also decide in a few years' time to shift responsibility for some small cars to Mazda, its Japanese affiliate - a step which was mooted a few years ago.

So, although Ford has always tried harder than most to be a good European corporate citizen, it may yet have to bring itself to concentrate most of its engineering in either Germany or Britain. Other companies - and countries - will be watching with more than a modicum of self-interest its struggle to organise more productively across borders without creating national casualties.

Networks of far-flung specialists are supposed to be one of the hallmarks of the modern multinational

PRIVATISATION IN HUNGARY

In the spring of 1990 free and democratic elections were held in Hungary. The government which came to power at the time was faced with many historic and economic challenges. Of these, one of the most important was to transform the centrally planned economy which had been developed over many decades, to a free market economy. Privatisation has been of crucial importance in achieving this aim: the changing state ownership to private ownership. During the past four years these comprehensive and irreversible processes took place in Hungary.

Privatisation is the most significant means of developing a market economy: by continually increasing the proportion of private ownership in the country, the process is instrumental in establishing an up-to-date, effective economic structure with a wide entrepreneurial middle class in its centre, upon which the social basis of the market economy is based.

Hungarian privatisation, the transferring of the state property into private hands, rests on two fundamental principles. Firstly, it is not possible to acquire property by civic right, and secondly, the process is guided strictly by commercial considerations. The new owners are selected in a regulated framework of competitive tendering. This is the only way of guaranteeing that the Hungarian and foreign individuals and companies who acquire the state assets have not only got the purchasing power, but are in possession of the necessary expertise and capital to operate economically, effectively and in the longer term.

The State Property Agency (Állami Vagyongénykezelő) and The State Holding Company (Állami Vagyonkezelő Rt.)

The State Property Agency (SPA) has been established by parliamentary legislation. Its task is to realize state assets; transforming state owned companies into private ones, (by restructuring, economic improvement and other economic organizational measures, prepare them for sale, prepare and invite tenders and guard the integrity of the tendering process). For the interim period, until the state owned companies belonging to the portfolio of the SPA are sold, the Hungarian state has vested the responsibilities of ownership and the exercising of ownership rights into the SPA. The SPA also develops privatisation techniques and methods. During the process it utilizes the services of many expert asset valuation, marketing, broker and consulting companies. The SPA owns various proportions of the restructured state owned companies. It is these state assets which the SPA realizes during the course of the tendering process. It fosters wide ranging international contacts and has an extensive data base as well as a comprehensive information system. It carries out far-reaching publicity and marketing activities.

The State Holding Company (SHC) has been established to handle and sell off part of the assets of those companies in which the state wishes to keep a permanent stake. Its goals, which are also regulated by law, are the following:

- to privatise to the maximum degree allowed by legislation, the companies it handles,
- to maximize the value of the assets it is managing, while continuing with its strategic activities,
- to pay dividends to its owner, the Republic of Hungary.

The SHC exercises owner's rights by employing commercial procedures. Its primary task is to promote the effectiveness of the responsibilities of the state in those sectors of the economy which are of strategic importance. In other words, it aims to ensure the long-term viability of state owned companies. It develops comprehensive strategies for the companies in its portfolio. Its portfolio is defined by government decree which also stipulates the proportion of its ownership which may vary between 5 per cent and 100 per cent. However, in the majority of companies the stipulated share of ownership is 25 per cent plus one vote, or 50 per cent plus one vote. Its remit is to privatise

50 per cent of the total assets in its portfolio with the exception of banking institutions.

Foreign investment in Hungary

According to previous legislation, companies operating with majority foreign participation had to apply for government approval, which meant not only the Minister of Commerce, but also the Minister of Finance. These regulations have been abolished in 1990. Since then, foreigners who wish to establish a commercial enterprise in Hungary do not need any permission whatsoever in respect of the size of the share package they may own. As far as foreign investment is concerned, no exceptions or restrictions apply to any industry.

The year of 1993 was record breaking in attracting foreign capital investment. According to preliminary figures \$2.2 thousand million foreign investment has been realized in 1993, while it amounted to only \$500m up to 1989, \$900m and \$1700m in 1990 and 1991 respectively, and also \$1700m in 1992. Total foreign investment to date is in excess of \$7,000m.

Twenty-nine per cent of foreign investment originates from the United States, 25 per cent from Germany, 12 per cent from Austria, 6 per cent from France and 5 per cent from Italy. Other significant investment has been placed by Japan, the United Kingdom, Sweden and Holland. Compared to previous periods, the increase in the proportion of German investment is outstanding.

Fifty-eight per cent of all foreign investment has been channelled into industry, the most significant proportion into the engineering and food industry, 16 per cent into telecommunications, 7.5 per cent into the hotel, office building and property sector, and 7 per cent each into the financial and commercial sectors. Recent tendencies show that the telecommunications sector has become the most attractive one for foreign investors.

1993 saw the privatisation of the Hungarian Telecommunications Company (MATAV) which yielded a significant \$875m revenue for the country.

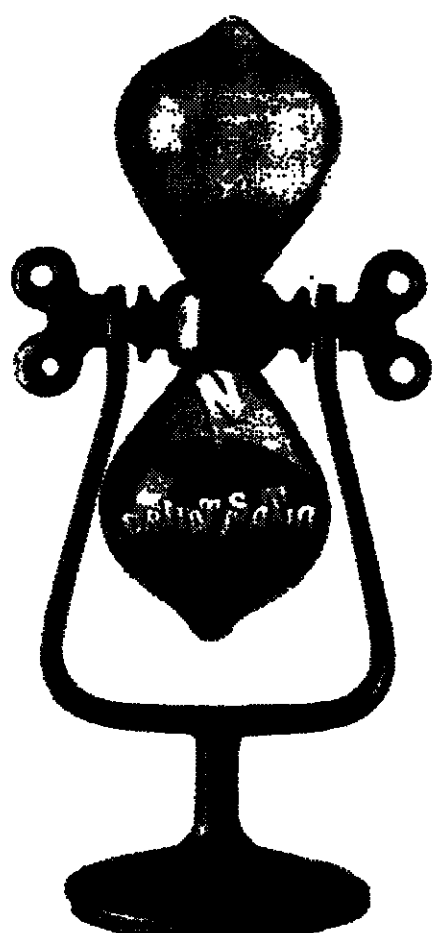
Future prospects of Hungarian industry

According to economic analysis one of the most important task of industry is to catch up, in the shortest possible time, which the developed nations. In order to achieve this aim the structure of industry must, on the one hand, be brought in line with world economic trends and domestic potentially while on the other, and this constitutes the more difficult task, the old industrial structure distorted and blinded by the previous strategy must be eliminated, thus developing comparatively quickly, the new structure which will be competitive in the world economy.

The appraisal of development possibilities reveals that the following areas will, in all probability, be competitive in the longer term:

- Activities related to the food industry. E.g. biotechnology, intermediate manufacturing, the food industry, agricultural equipment manufacturing, refrigeration industry, food industry equipment manufacturing and the canning industry.
- Elements of public health systems. E.g. the pharmaceutical industry, medical instrument manufacture, design and construction of hospitals rendering complete health institutions, therapeutic equipment and material infrastructure.
- Certain phases of the aluminium industry, which relate to the new utilization methods.
- Vehicle parts manufacture and assembly. Involving several activities which may promote the development of e.g. vehicle electronics, the leather and synthetic leather industry, the dye/paint industry, and the synthetic material processing industry.
- Also favourable are the prospects of the furniture industry and some other light industries.

The opportunities are unlimited, but they do not last forever!



The State Property Agency and the State Holding Company are offering shares of the most valuable companies of Hungary for sale.

The State Property Agency and the State Holding Company welcome their guests at the CEETEX '94 (Central and Eastern European Technology and Investment Exhibition), held in London, Earls Court between the 9th and 12nd of May.

Buy state property!



Hungarian State Holding Company
H-1115 Budapest, Bányász u. 17/b. Phone: (36)-1-267-6600

STATE PROPERTY AGENCY

H-1133 Budapest, Pozsonyi út 56. Phone: (36)-1-269-8990

BUSINESSES FOR SALE

BRITISH COAL CORPORATION

Invitation to offer to purchase Compower Limited

Outsourcing of information technology services

British Coal Corporation ("BCC") is seeking offers to purchase its computer services bureau, Compower Limited ("Compower") and, at the same time, tenders for the supply of information technology services currently provided by its in-house information technology services department, BCIT.

Compower
Compower, which is a wholly-owned subsidiary of BCC, is a specialist computer services bureau providing a range of services to industrial, commercial and financial organisations throughout the United Kingdom. Its activities are concentrated in the processing services sector and include human resource management systems, electronic funds transfer and point of sale services and data preparation and printing services. In addition, the Company provides other mainframe processing services, mainly relating to accounting systems, and supplies personal computer-based electronic data interchange software.

In the year ended 27th March, 1993 Compower's audited profits before tax were approximately £0.9 million on turnover of approximately £8.7 million.

Prospective purchasers of Compower are now invited to pre-qualify for the sale process. Applications should be made in writing to BCC at the address stated below enclosing the following information:

- a brief description of the applicant's activities and those of the group to which the applicant belongs, if applicable;
- a copy of the audited annual company accounts and the consolidated accounts of the group to which the applicant belongs, if applicable, for the past three years;
- a brief description of the industrial and economic rationale for the investment; and
- an explanation of the way in which the acquisition would be financed.

Applications may be made by fax but should be followed by a postal or hand delivered application.

BCC will consider applications to pre-qualify on the basis of the information requested above and any other factors considered appropriate and reserves the right not to pre-qualify any prospective purchaser. Applications to pre-qualify should be made only by parties which are incorporated as limited companies.

Those who respond to the invitation to pre-qualify will be provided with a confidentiality agreement which should be validly signed by the applicant and returned to BCC at the address stated below to arrive no later than 5.00pm on Wednesday 18 May 1994. Applicants who pre-qualify will shortly thereafter be provided with an information memorandum issued by Samuel Montagu & Co Limited which will include information on Compower and on the process of sale and timetable.

Outsourcing of information technology services

BCC is also seeking to outsource its in-house information technology services to an experienced supplier of computer related services. The outsourcing arrangements are to support both pre-and post-privatisation businesses.

In this connection, BCC has issued notices to a significant number of experienced outsourcing companies inviting interest in tendering for the provision of information technology services. Any other parties who wish to receive a copy of this notice should contact BCC at the address stated below.

The Cannock site

Potential purchasers of Compower and/or potential providers of information technology services to BCC will be invited to offer to purchase the site at Cannock where both Compower is located and from where information technology services are provided to BCC.

Any such parties wishing to receive further information on this site should contact BCC at the address stated below.

General
BCC's preferred option is to sell

Compower and the site at Cannock to the organisation which will provide the outsourced information technology service. BCC will, however, consider outsourcing its information technology requirements and selling Compower and the site at Cannock to different parties.

Neither this invitation, nor the receipt of any offers by BCC will create, with respect to BCC, any obligations or commitment to sell to any bidder and, with respect to any bidder, any rights to demand any performance whatsoever by BCC. BCC reserves the right to withdraw from negotiations with interested parties without assigning any reason or providing any compensation for fees or expenses incurred. Brokers or agents of any kind must disclose the identity of the company they represent.

This advertisement and the sale process are subject to English law.

This advertisement, for which BCC is responsible, has been approved by Samuel Montagu & Co. Limited, a member of The Securities and Futures Authority, for the purposes of Section 57 of the Financial Services Act 1986. Samuel Montagu & Co. Limited is acting for BCC in relation to the publication of this advertisement and is not acting for any other persons and will not be responsible to such persons for providing protections afforded to customers of Samuel Montagu & Co. Limited or advising them as to any matter referred to herein.

Address for receipt of applications

Applications should be addressed to Mr T J Griffiths, Head of Purchasing and Contracts, British Coal Corporation, Supply and Contracts Department, Fence, Woodhouse Mill, Sheffield Road, Sheffield S13 9ZA; telephone: (0742) 54 11 00; facsimile: (0742) 54 12 76.

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- Unique facility for producing plastic cans
- Potential food and non-food use
- Requires development investment to take proven product to the marketplace
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For further details please contact C J Hill Esq, Ernst & Young, Compass House, 80 Newmarket Road, Cambridge, CB5 8DZ. Tel: (0223) 461200. Fax: (0223) 324609.

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LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF NEW JERSEY

In re: **MUTUAL BENEFIT OVERSEAS, INC.** Case No. 93-28134 (NLW) Chapter 11

NOTICE OF (A) ORDER CONFIRMING PLAN OF REORGANIZATION, (B) DISCHARGE OF DEBTOR, (C) CONSUMMATION OF THE PLAN, AND (D) PROCEDURES FOR SUBMISSION OF OLD BONDS FOR OBTAINING DISTRIBUTIONS UNDER THE PLAN

TO ALL CREDITORS, BONDHOLDERS AND OTHER PARTIES IN INTEREST: NOTICE IS HEREBY GIVEN that, on April 14, 1994 (the "Confirmation Date"), the Bankruptcy Court for the District of New Jersey entered its Order confirming the Second Amended Joint Plan of Reorganization Proposed by Mutual Benefit Overseas, Inc. and the Official Committee of Creditors (the "Plan") and the Official Committee of Creditors (the "Committee") dated April 13, 1994 (the "Plan") and the Official Committee of Creditors (the "Committee") dated April 13, 1994 (the "Plan") and the Official Committee of Creditors (the "Committee") dated April 13, 1994 (the "Plan").

PLEASE TAKE FURTHER NOTICE that, pursuant to the Confirmation Order, holders of bonds (including 9-3/8% Sinking Fund Bonds due February 1, 1996, 9-5/8% Sinking Fund Bonds due February 1, 1996, and Zero Coupon Bonds due February 1, 2000, the "Bonds") and "Bondholders" respectively) will be required to submit their Bonds to Mutual Benefit Overseas, Inc. and the Official Committee of Creditors (the "Committee") for submission to the Trustee for the Distribution of the Plan.

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PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984

Licences to run telecommunications systems under section 7 of the Telecommunications Act 1984 granted to Sprint Holding (UK) Limited, WORLDWIDE INTERNATIONAL, INC and NORWEGIC plc.

1. The Secretary of State hereby gives notice:

- (a) that he has duly reconsidered the proposals in respect of which he published notices on 20 August and 5 November 1993 under subsections (5) and (10) of the Telecommunications Act 1984 ("the Act") regarding his intention to grant licences under the Act to Sprint Holding (UK) Limited ("Sprint") and WORLDWIDE INTERNATIONAL, INC ("WorldCom") and NORWEGIC plc ("Norwegic") to run telecommunications systems throughout the United Kingdom;
- (b) that he has granted such licences ("the Licences") to Sprint, WorldCom and Norwegic (together referred to as "the Licensees"), being licences which include conditions such that section 8 of the Act applies to them, thereby making the Licensees eligible to have the telecommunications code contained in Schedule 5 to the Act applied to them under section 10 of the Act;
- (c) that he has granted the telecommunications code ("the Code") to Sprint and Norwegic throughout the United Kingdom and to WorldCom in London and its vicinity (the area marked on the map attached as an Annex to WorldCom's Licence). The application of the Code to the Licensees is subject to certain conditions and exceptions. The effect of these exceptions and conditions is that the Licensees have duties:

- i. to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
- ii. to comply with conditions designed to ensure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of their apparatus;
- iii. to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate, English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
- iv. to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the Licences to the powers under the Code; and
- v. to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

2. The Secretary of State has applied the Code to the Licensees:

- (a) because the Licensees will need the statutory powers in the Code to install and maintain the telecommunications systems which are to be installed and run under the Licences;
- (b) subject to the exceptions and conditions referred to above because they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.

3. The Secretary of State has granted the Licensees because he considers that they will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunications services.

4. The Licensees have been granted for a period of 25 years in the first instance and are subject to revocation by the Secretary of State on 30 days' notice in the circumstances specified in the Licences.

5. Copies of the Licences may be obtained from the Office of Telecommunications (Library), 50 Ludgate Hill, London EC4M 7JL, price £10.00 for WorldCom's Licence, postage and packing free.

Mrs J M Knight, Department of Trade and Industry
6 May 1994

LEGAL NOTICES

ALDRIDGE DEVELOPMENTS LIMITED

INCORPORATED IN ENGLAND
Notice of Intention to Revoke Development Licence

Date of application of development licence: 27 April 1994
Name of person appointing administrator: David Aldridge

IN COURT AND IN REDEMPTION
Notice of Intention to Revoke Development Licence

Notice to be served on the person appointing administrator: David Aldridge
Notice to be served on the person appointing administrator: David Aldridge

A list of the names and addresses of the persons who are entitled to be served with the notice of intention to revoke the development licence is set out in the notice of intention to revoke the development licence.

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WATSON & REFFELL LIMITED

INCORPORATED IN ENGLAND
Notice of Intention to Revoke Development Licence

Date of application of development licence: 27 April 1994
Name of person appointing administrator: David Watson

IN COURT AND IN REDEMPTION
Notice of Intention to Revoke Development Licence

Notice to be served on the person appointing administrator: David Watson
Notice to be served on the person appointing administrator: David Watson

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PETER COLLINS FOODS LIMITED

INCORPORATED IN ENGLAND
Notice of Intention to Revoke Development Licence

Date of application of development licence: 27 April 1994
Name of person appointing administrator: David Collins

IN COURT AND IN REDEMPTION
Notice of Intention to Revoke Development Licence

Notice to be served on the person appointing administrator: David Collins
Notice to be served on the person appointing administrator: David Collins

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As a computer prepares to play the world's top chess players, Charles Arthur assesses its chances

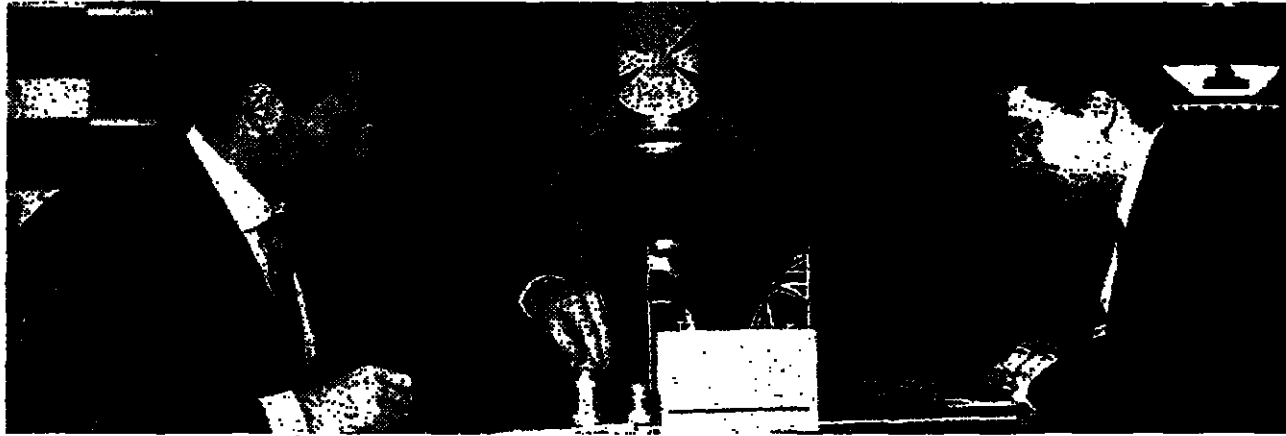
Checkmate by silicon chip

On May 20, a rather unusual chess player will line up in a hall in Munich alongside professionals such as Garry Kasparov and Nigel Short. Beside five more of the world's top chess players and eight human qualifiers will be a computer.

"It won't win, but it won't come last either," says Fred Friedel about the Fritz2 chess program developed by his Munich-based company, Chessbase. As the third generation of an already successful program, it is now being adapted to run on a personal computer using an Intel Pentium chip running at 100MHz - a contender for the most powerful available PC.

Its presence is partly explained by the fact that Intel, as a sponsor of the Professional Chess Association - the breakaway group formed last year to which Kasparov, Short and a number of other professionals now belong - is keen to show off its processor running the software. But Fritz2 is also there on merit: in "blitz" chess, where each player has 25 minutes to play all his moves, its ranking puts it easily among the world's top 20 players.

The increasing power of computers means it might not be long before the world champion in some of the west's best-known games, such as chess and draughts, is made of silicon rather than flesh and blood. "All the programs are better than 99.99 per cent of chess players," says Malcolm Pein, publisher of Chess magazine and a grandmaster. "They're just having trouble with the last 0.01 per cent. There's about 1,000 of us out



Changes across the board: chess champions such as Garry Kasparov (left) and Nigel Short will increasingly be challenged by computers.

there who are better than them."

Computers are already central to chess professionals' lives: they are used to study openings, to record games, to confirm analysis of complex positions and to provide a huge, cross-referenced database of past games as a clue to opponents' strategies. And the sponsorship of Intel of the US, the world's leading computer chip maker, is recognition that after a couple of thousand years chess has become big business. This fact was driven home by last year's live TV coverage in the UK of the PCA's world championship.

"According to the research, 80 per cent of all adults watched at least one of the programmes," says Andrew Finan of the sponsorship company Sports Bureau International. "That blew away all the thinking that it was a niche market." The more detailed profile found that most watchers were

ABC1 males (demographics for "well-off middle-class") and aged between 16 and 44. "It is an advertiser's dream market," says Finan. "And it's also Intel's core market." As the biggest chip maker in the world, Intel is now spending more than \$1m (\$900,000) over each of the next five years to have its name associated with the game.

Sales of chess programs are worth millions each year; every games software house knows that having one in the catalogue is a necessity. The market splits quite equally between players aged from 40 upwards, and those aged about 20.

Chess programs have actually been around longer than computers. The first was written in the 1940s by the mathematical genius Alan Turing, who helped crack the German Enigma code. He realised that deciding between moves could be reduced to a formal process:

by trying each move, and each combination of moves following that, and then evaluating the position after those moves (by allotting some numerical value to each - say, +1 point for capturing a pawn, +5 for capturing a rook, +1,000 for checkmate), you could choose between them. Assign the correct values, and you would have an unbreakable program.

Turing's first efforts were laboriously manual, using pencil and paper. But when the first computers were developed, some of the first non-serious applications were chess programs. In the 1970s, a master player, David Levy, set a series of challenge bets that he could beat the best machine versions. He won, before retiring in 1983.

The programs' weakness remains their strictly mathematical approach, say those who beat them. "People have intuition, and the knowledge

and plans for hundreds or thousands of positions," says Pein. "They have a much keener knowledge of when to give up material for a positional advantage. And when the position is closed, with little chance for tactics, humans are better at manoeuvring so that when it does open up, they will be at an advantage."

Not many humans will be, though. By the official Elo chess rating - awarded to players on their record, such as the quality of the players they beat - today's programs, such as Fritz, Chess Genius or Kasparov's Gambit are better than almost everyone in the world, even in standard tournament play where players get two or more hours for the first 40 moves. The 6m or so club players worldwide have Elo ratings between 1,200 and 1,900; masters, from 1,700 to 2,000; the 1,340 international masters, from 2,200 to 2,450. The 465 grandmasters rank from 2,400

upwards; Kasparov, at just above 2,800, is officially the best player ever. Fritz2 is ranked at about Elo 2,300, and Pein expects to see a program ranked Elo 2,600 soon.

For would-be writers of chess programs, there are four attractive factors, says Friedel: "It's competitive - you can evaluate claims of whose program is better simply by playing them against each other, which you can't with, say, word processing programs. And there's a lot of literature to guide you; chess openings and endgames have been studied for centuries. It's commercially viable: you can sell what you make. And it's a hard problem to solve - but not too hard. I wouldn't touch go, for example."

Go, an eastern game invented 4,000 years ago, making it about twice as old as chess, is played on a 19 by 19 grid, on which the players alternately place black and white counters (called stones) to try to surround empty territory. It has only nine rules, fewer than chess, but that very simplicity, coupled with the size of the board, means that at every stage there can be a couple of hundred different moves to choose from.

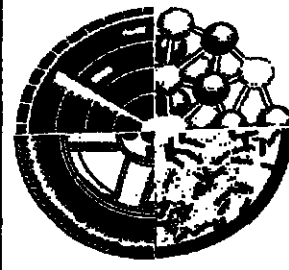
In draughts the problem is simpler, since only half as many squares are used. In 1992, a program called Chinook - officially the world's second-best player - challenged Marion Tinsley, the world champion since 1984. After 38 games, Tinsley won 4-2. But Chinook's developer is now working on an even better version.

"It's analysing from the end-game backwards, and from the opening forwards," says Friedel, who keeps in touch with such developments. "It's about six moves away from linking up the two ends. And then that will be that. It will be like playing God. You may draw, but you will never win." The program will simply never let itself be drawn into a losing thread of play; it will, in effect, have a map of the entire game. When Tinsley makes the tiniest error he will lose his title.

Could the same ever happen to chess? Kasparov is as dismissive of computers as he is of many of his human rivals. In October 1989, he played and twice defeated Deep Thought, a customised IBM workstation running a chess program; it was the first computer to achieve grandmaster status. Asked what improvements they should make, its programmers were told: "Teach it to resign earlier."

Undaunted, the team is developing the successor, Deep Blue, which will contain Deep Thought shrunk on to a single chip. So is Kasparov's crown really at risk from a machine? "Probably not," says Friedel. "This is the fascination for me."

Worth Watching



Danish Innovation:
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Machine tools measure up

A control system taking into account factors influencing machine tool performance to achieve optimum cutting conditions has been developed by Omot of Jerusalem, Anna Kochan reports.

Tests with prototypes show savings of up to 40 per cent can be achieved on machining times and costs, with tool breakage almost eliminated. Designed to work with any type of numerical controller, the Opti-Mill system for milling applications includes software that determines the best cutting conditions from data about the machine, its operational cost, the cutting tool and its material cost, tool changeover time and machine tool depreciation. Sensors measure the load on the tool, and modify the speed and rate of work. Omot will develop systems for turning and drilling, as well as for wood and plastics. Omot: Israel, 9722 438111.

Faxes on the move

Busy people computing on the move can now send the results by fax. Psion of the UK has launched 3Fax to plug into its Series 3a pocket computer. It says the device - half the size of the 3a palmtop - gives access to E-mail and on-line services as well as sending faxes with logos and signatures. Faxes can be created in advance and sent, queued or deferred for sending at different times when the user reaches a socket. "There's no difficult software to get your head around," says Psion director Peter Norman. The 3Fax can pull information from the database for faxing and send to any number in the computerised address list. Price £199.95. Psion: UK, 071 262 5580.

The political stock market

You can trade in most things, but few would think of election candidates. York University, however, plans to use the trading instinct to attempt accurate predictions of UK elections. It is buying computer equipment for a pilot study of the "political stock market" method successfully pioneered by the University of Iowa in the US. Participants buy shares in candidates; these are traded on the computerised market, the prices indicating the vote's outcome. York University: UK, 0904 433785.

On the air, digitally speaking

A programme on working at home ought to be made at home, writes Claire Gooding.

So reasoned Peter Day, presenter of BBC Radio Four's In Business, and his editor Stephen Chilcott. A trailblazing UK programme, to be broadcast on Sunday, has been put together at Day's home in north London, wired by BT with a high-quality ISDN line for voice and computer data.

Intel installed an Apricot Zen-PC multimedia workstation with Intel ProShare videoconferencing products. Day's interview with Intel head Andrew Grove (in Seattle) was carried out via the Video System 2000 from Intel, with a screen-mounted camera, allowing users to see each other on the PC screen. Chilcott edited with a British product, the Sadie real-time audio-disk editor, which reproduces a mixing-desk on screen, replacing tape recorders with a PC and mouse.

Sadie sells professional digital editing solutions in competition with US and Japanese vendors. Sadie broadcasters can work at home - or at a desk anywhere - without compromising sound quality, producing full 24-bit digital audio away from a studio. Intel: UK, 0793 696000. BT ISDN Helpline: UK, 0800 181 514. Sadie: UK, 0353 645833.

Putting clamps on the copycats

A Danish inventor has developed a system to provide a foolproof safeguard against the copying of software programs and the development of computer viruses. It will also supervise networks and prevent accidental, as well as deliberate, copying, writes Hilary Barnes. Hans Jensen says his discovery will mean that copying will become impossible and businesses will be able to prove in court that software has been tampered with. "My invention will give the software producer effective protection technically and legally of the copyright."

The Danish Innovation Centre, part of the Danish Technological Institute, is assisting Jensen to find licensees for his invention.

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ARTS GUIDE

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Tunnel vision

Marina Benjamin looks at a photographic record of Britain's last days as an island

When the Queen and President Mitterrand officially open the Channel Tunnel today, the ceremony will also mark the culmination of an ambitious photographic project recording the end of Britain's days as an island.

The Cross Channel Photographic Mission, sponsored by South East Arts, is a rich, diverse, and bitter-sweet essay on Britishness drawn from the sum of its parts, its history, street-culture, landscapes, traditions, and self-delusions. Work by a dozen photographers provides a portrait of a nation in limbo, immobilised between the legacy of a heavily mythologised but fast-fading imperial identity, and faced with the necessity of adapting to a new order.

How Davies takes as his subject the British neo-colonialists who have forsaken Albion for the greener pastures of Nord Pas de Calais - rechristened "south Kent". Davies presents them not as Utopian dreamers chasing a Rousseauesque back-to-nature ideal, but as hard-nosed London yuppies and misfits, who, having conquered the home counties territories, see France as the new frontier. Amidst Anglicised pubs, houses and gardens, the emigrants have set up a home from home.

The Royal Festival Hall is showing three Cross Channel commissions under the sub-heading Britannia. Karen Knorr's allegorical Europhillia tableaux, featuring androgynous figures in wigs and frock-coats, draw inspiration from the Enlightenment, of curiosity and exploration, a time when no gentleman's education was complete without a European Grand Tour and when Samuel Johnson

pronounced patriotism to be the last refuge of the scoundrel. Driving the point home, Knorr has titled her images in English and French.

Such bonhomie, however, was the privilege of a small band of channel-hopping intellectuals, who ignored the old enmities between the nations and prized liberty, equality and fraternity before these ideals were used to justify the guillotine.

Leaving the tricky issue of Anglo-French relations aside, Peter Kennard and Paul Trevor choose to



'Welcome to Britain' by Peter Kennard

focus instead on London. Kennard's wildly-titled and hard-hitting installation, "Welcome to Britain" depicts the bleak side of the metropolis encountered at Waterloo, our cross-Channel starting point.

Working in collaboration with the poet Peter Reading, Kennard has constructed an edifice of our time from gaudy souvenirs and scavenged urban flotsam, including wooden pallets and scraps of corrugated card - the bricks and mortar of the homeless. Photographic images of forlorn faces, hands and

street-signs can be discerned through its dust coating. The hands are particularly evocative: such eloquent symbols of authorship and manufacture, they are here transformed into the scratching, grasping means of escape. What Kennard has effectively conjured up is the fright at the end of the Tunnel.

Paul Trevor's equally gritty work tells a tale of two cities in one. Taking in the square mile occupied by the capital's money market and the street market at Brick Lane, he plays with the notion of neighbours remaining worlds apart. Top cats and underdogs. By getting right up close yet remaining unobserved, Trevor has photographed the passing faces of passing trade. In the City, there are clear complexions, confident jawlines, mobile phones, cigars, pin-strips, handshakes and designer sunglasses; in Brick Lane there are wrinkles, pimples and tattoos, second-hand clothes, cheap make-up, rag-ends and NHS specs. Life - delivered to us in its minutiae - is very different at the two poles of our market economy. And so, by implication, is the inner landscape of the mind.

Where symbols of Empire are depicted at all, they are represented as obsolete relics, part of the furniture of nostalgia. Nonetheless many of the photographers seem prone to a spirit of regret, dwelling on what we stand to lose rather than what we might hope to gain: the "dust-man of Europe" looms large while any vision of a potential *nouveau* Britain is sadly absent.

Karen Knorr, Paul Trevor and Peter Kennard at The Royal Festival Hall, until June 5, July 3 and from June 11 to July 10 respectively.

Sponsorship/Antony Thorncroft

Banks head new spending

One of the major players in the extraordinary growth of arts sponsorship over the past decade retired last week: Geoff Shingles, who proved that sponsoring the arts could be good for business when, as chief executive of Digital, he persuaded his board in 1985 to rescue Sadler's Wells with a £150,000 investment.

Shingles then put together Partners in Dance: dance was under-served at the time and Digital could make a big impact with relatively little money. In the last nine years Digital has pumped £5.5m into the arts and reckons it has proved an excellent investment, enabling the company to entertain its 5,000 key customers, and more importantly, potential customers.

Shingles later backed the National Theatre and the Tate and has given computer systems to leading arts companies, but in recent months Digital has been forced to cut its spending from £500,000 a year to nearer £350,000 and The Digital Dance Awards were axed. But in the autumn Digital will review its position and, if profits are up, will probably raise its budget.

Profits have already improved for many companies, especially banks, which means that the 13 per cent fall in sponsorship last year could be quickly reversed.

A few years ago NatWest was spending £1m a year; in 1993 it invested just £100,000, which basically went towards a prize aimed at art school students. But this year NatWest is spending £350,000, and all the signs are that in 1995 its

budget will have grown again. The likelihood is that NatWest will choose to stick with the visual arts. Next week the bank announces the winner of its 1994 Art Prize. The winner receives £5,000 but NatWest also buys some of the short listed entries to add to its collection of contemporary art.

Apart from the patronage (and investment) benefits from bolstering the visual arts it is a sponsorship area which suddenly looks sadly neglected. Two of the biggest sponsorships, the Barclay's Prize for graduates and BT's touring exhibition, New Contemporaries, are coming to an end.

In the next few months 50 or so managers of small businesses in Birmingham, Bristol and Cardiff will be invited to see a Welsh National Opera production. Putting them on the guest list will be KPMG, the management consultancy group, which is masterminding a networking service.

The idea is that the businessmen will so enjoy themselves that they will form a local syndicate to provide funds, £1,000 each, or even less, to help finance the next WNO visit to their city, and in particular its community work there.

This grass roots form of sponsorship is one of many initiatives anticipated from "Go Opera", the new sponsorship package from KPMG. It is committing £550,000 over three years, distributed between WNO, Scottish Opera, Opera North and English National Opera. The money will back core activities, like new productions, starting with WNO's first ever Gil-

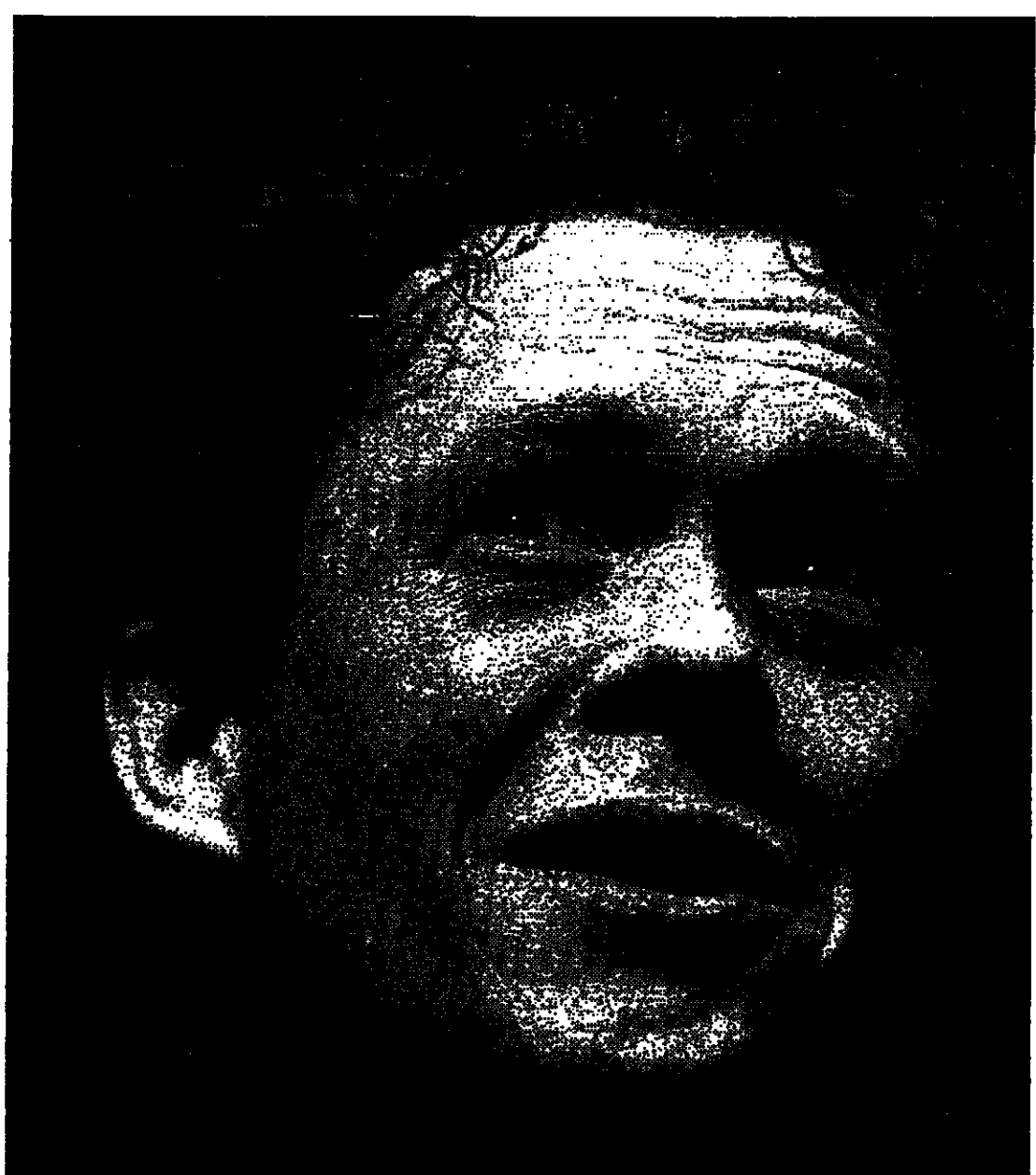
bert & Sullivan, *The Yeoman of the Guard*, this Christmas, and followed by Britten's *A Midsummer Night's Dream* at the ENO in 1995. But it will also attempt to widen access to opera.

At the WNO this will consist of creating community operas, workshops, and subsidised tickets; at Opera North cut-price tickets for first time opera goers, workshops, discounts for regular attendees, and a new production; family tickets at Scottish Opera, plus a production; and help for the outreach Baylis programme through family days at ENO.

West Merchant, London based subsidiary of two German banks, is the latest financial institution to use the arts to drum up business. It is investing £100,000 a year to promote the arts of Latin America in the UK.

West Merchant specialises in offering potential investors advice on Latin America and is also keen to work for rich South Americans living in Europe. Its first project is this month's Festival of Bahia in London. It has contributed £23,300 and as a first time sponsor has received a substantial Business Sponsorship Incentive Scheme back up award from the government.

The final concert, at the Albert Hall on June 1, features four top Bahian singers and a samba band, and will be used to entertain clients who earlier attended a business seminar. Without the concert it is doubtful there would have been such a healthy response. In the autumn West Merchant promotes contemporary Argentinian art at the MoMA, Oxford.



Spiritual journey: Alex Jennings as Peer Gynt in John Barton's new production at the RSC

Theatre/Alastair Macaulay

Peer's inner quest

doubt, and he makes it increasingly clear that the play is his spiritual journey. There are, admittedly, several more layers of the onion for him to reveal. In Act Five he ages less than any Peer I have ever seen, and yet does little to hint at the peasant he was once; he even drops almost any hint of the Irish accent he mastered so well for the youthful scenes. Nor does he always persuade us that young Peer believes in all his own play-acting and story-telling. But this is the most tender

and the most imaginative performance Jennings has given us.

The centre of the play is clearly its poetic visions. Peer's restless journeying reminds us of many others. It brings to mind not only unmythical folk tales, but also the quests of Hamlet, Faust, Candide; as well as the Rake's progress. And I had never realised before how Peer's castles in the air pave the way for Ibsen's later Master Builder. Peer Gynt, even when cut, is too vast for perfect comfort: I

always become restless myself during Act Four. But what makes Barton's account of *Peer Gynt* so refreshing is its economy. Simple magic is achieved through little showers of snow, sand, soap-bubbles, or stardust. Peer may journey through the whole world, and yet it is as if he is just a boy losing himself in a toy theatre. And it is at home that he must find himself.

In repertory at the Swan, Stratford-upon-Avon

Love's Labour's Lost

As a director Ian Judge is good with lost boys. I remember a haunting *Peter Pan* at the Shaw Festival in Canada, where the twilight gleam of Kensington loomed dream-like through the excitement of Never Land, and the everyday reality of the nursery was glimpsed in forest and pirate lair.

His updated *Love's Labour's Lost* for the RSC, first seen at Stratford in October, has arrived at the Barbican and, placing the action in another Never Never Land, hints that these golden lads too belong to a doomed generation.

The setting is late Edwardian Oxford. Distant shores dream; in a neighbouring quad Lord Fancourt Babberley is almost certainly impersonating his chum Chamberlain's aunt from Brazil. More immediately the King of Navarre and his earnest fellow-students (as it were a Rupert Brooke reading party) make their rash vow to forswear such mundane pleasures as female company.

The breaking of that vow and the

blossoming of love are depicted gravely in a production that takes the play more seriously than usual. If the dramatic pulse seems initially sluggish, the idyllic mood is cumulative, and Judge brilliantly makes sense of that awkward conclusion when the happy ending is postponed after death has suddenly cast its shadow over the high spirits.

John Gunter's sets give us high-backed pub settles festooned with vicious oars and college photographs. The page-boy Moth (Christopher Luscombe) is here a choral scholar, his master, Don Armado, would today be a TV pundit. A whiskery Daniel Massey blends Bernard Shaw with Lytton Strachey and makes a good case for Shakespeare's atrociously facetious word-play being the forerunner of Oxford linguistic philosophy.

Berowne, part cynic, part romantic, is the most interesting of the men. If Jeremy Northam lacks the dazzling ebullience with which Roger Rees skimmed the language on this stage some years ago, he has

the intensity the production requires, a fit mate for Abigail McKern's pointed Rosaline. Unexaggerated comedy marks the amateur theatricals. The women have the grace not to join in the men's sneers; but start the laughter at one of the play's most touching moments, when haughty Don Armado confesses he has no shirt.

Above all, the production triumphs in avoiding familiar traps: mummert rusticus (Costard is a smart young butcher's lad; Jaquenetta does a final number in exotic plumes), and it speeds through the flowery verbosity inspired by the fashionable exquisites. The wistful palm-court gaiety of Nigel Haas's scene is countered by hints of future shock with mock-Muscovite masquerades who look like Rasputin. The spires finally disappear from a bleak horizon that we know contains Pachelbel and the Somme; and afterwards will never be so golden again.

Martin Hoyle

An exciting new season for Covent Garden

Nicholas Payne, director of the Royal Opera, has put together an intriguing 1994-95 season at Covent Garden. Richard Eyre, of the National Theatre, directs his first opera, *La traviata*; Jonathan Miller returns to work in the UK with his first Covent Garden production, *Così fan tutte*; while Gilbert & Sullivan also make their House debut in the new WNO production of *The Yeomen of the Guard*.

There is also the first new British Ring of the 1990s, starting on October 15 with *Das Rheingold*, with Richard Jones handling the staging; the first Covent Garden production since 1930 of Gounod's *Roméo et Juliette*; and the first ever performance at Covent Garden of Purcell's *King Arthur*.

Throw in a Verdi season in the summer of 1995, with seven productions, (two in concert performance) and including the first Garden playing of *I due Foscari*, and you have an exciting programme. A.T.



Dreyfus Centenary

Exactly 100 years ago, Europe was swept by the Dreyfus affair. Alfred Dreyfus, a Jewish officer in the French army, was accused of spying for Germany, tried before a hastily convened military court and condemned to a lengthy prison sentence. Despite evidence proving his innocence, a retrial four years later failed to clear his name. Thanks to a campaign by his wife, friends and influential supporters, he was eventually released and rehabilitated.

The case divided France and unleashed a tide of anti-Semitism, racism and nationalism - some of which finds an uncomfortable echo in Europe today. The lessons of the Dreyfus affair are the subject of a series of centenary events, beginning this month in Berlin with a new opera written by Swiss composer Jost Meier to a libretto by British entrepreneur George Whyte.

The opera is the result of

several years of research by Whyte, who has inspired two other works on the Dreyfus affair. They are a ballet with music by Alfred Schnittke and choreography by Valery Panov, to be premiered in Bonn in September, and a musical satire using songs of the period and texts by Emile Zola, who championed Dreyfus's cause. The songs have been orchestrated by Luciano Berio and will be premiered by the Lempfer in August. The three works will be performed in Basle in October.

The new opera, *Dreyfus - The Affair*, will receive its world premiere on Sunday at Berlin's Deutsche Oper, with a cast headed by Paul Frey. An exhibition of material related to the Dreyfus affair, including portraits, cartoons and caricatures of the period, can be seen in the theatre foyer, before it tours to other centres.

EXHIBITIONS GUIDE

AMSTERDAM Rijksmuseum Flowers and Plants: a varied survey of representations of flora and fauna in five centuries of prints and drawings, including the superb 17th century Tulip Book by Jacob Marrel and a selection of Japanese woodcuts. Ends July 31. Closed Mon.

BARCELONA Museu Picasso The Russian Avant-Garde 1905-25. Ends June 26. Closed Mon (Carrer Montcada 15-19).

BERLIN Museum für Indische Kunst Lost Empire of the Silk Road: a remarkable collection of 87 well-preserved pieces of Buddhist art from the 10th to 13th centuries, buried at Khara Khotu under the sands of the Gobi Desert until they were discovered during archaeological research in 1908. Ends July 3. Closed Mon.

CHICAGO Art Institute John James Audubon: 90 large-scale watercolours which the American naturalist artist used as the basis for his Birds of America print series. Ends July 17. Daily.

EDINBURGH National Gallery of Scotland Raphael: The Pursuit of Perfection. The exhibition examines the creative process of one of the great masters of the Italian Renaissance, and is built around three masterpieces and surviving preparatory drawings. Ends July 10. Daily.

MODERN ART Medardo Rosso (1858-1928): around 50 sculptures by the Italian who became famous as a master of Impressionism in sculpture. Ends May 28. Daily.

FRANKFURT Deutsches Architekturmuseum Modern Architecture in Germany

1900-1950: Expressionism and the Neue Sachlichkeit. The exhibition, the second of three tracing developments in 20th century German architecture, focuses on the avant-garde architectural utopias of the interwar years. Ends July 3. Closed Mon.

GLASGOW Hunterian Art Gallery Duncan Shanks (1837): retrospective of one of the outstanding landscape painters working in Britain today. Ends June 25. Closed Sun.

LEIPZIG Museum der bildenden Künste Julius Schnorr von Carolsfeld: retrospective of the early 19th century German painter and illustrator who joined the Nazarene in their decoration of the Casa Massimo in Rome. Ends May 23. Closed Mon.

LONDON Royal Academy of Arts Goya: 100 small-scale paintings covering his entire career. Ends June 12. Daily (advance booking 071-398 4555).

LONDON Victoria and Albert Museum A new Glass Gallery has opened to display more than 6000 objects, illustrating the history and development of glass during the past four millennia. Daily.

MADRID Centro de Arte Reina Sofia Lucien Freud: a collection of paintings, drawings and etchings celebrating the recent achievements of Britain's greatest living realist painter. Also Joseph Suys (1821-88): 10 installations, 25 sculptures and

456 drawings by the controversial German artist. Ends June 6. Closed Tues.

MADRID Fundación Juan March Isamu Noguchi (1904-88): 58 outdoor sculptures expressing the oriental and western cultural traditions inherited by Noguchi, an American artist of Japanese origin. Ends June 25. Daily.

MANTUA Palazzo Te Alcega Waldemar Johannessen (1880-1922): the distinguished disciple of Munch was forgotten until recently. This is only the second exhibition of his works, and the first outside Scandinavia. Ends June 19. Closed Mon.

MARTIGNY Fondation Pierre Gianadda Auguste Rodin: 90 drawings and watercolours and 10 sculptures. Ends June 12. Daily.

MUNICH Akademie der schönen Künste The Russian Stage 1900-30: 190 treasures from the Bachrusin Museum in Moscow, comprising theatre designs, figurines and models by Melnikov, Leshchinsky and others, dating from a time of extraordinary creativity in Russian art. Ends June 26. Closed Mon.

MUNICH Lenbachhaus Between the Bricks and the Blue Reiter: Expressionist paintings from the Ahler Collection. Ends May 23. Closed Mon.

NEW YORK Museum of Modern Art Frank Lloyd Wright: architectural fragments, full-scale constructions, scale models and 350 original drawings. Ends May 10. Feininger, Kandinsky and Klee: 75 prints and illustrated books produced by three of the Bauhaus artists. Ends May

17. Closed Wed.

PARIS Metropolitan Museum of Art The Decorative Arts of Frank Lloyd Wright. Ends Sep 4. Petrus Christus: 22 paintings by the 15th century Netherlandish master. Ends July 31. Sidney Nolan's Ned Kelly Paintings. Ends July 17. Closed Mon.

PARIS Guggenheim Museum Frank Lloyd Wright's Designs for the Guggenheim Museum. Ends May 20. The main museum is closed on Thurs. the SoHo site on Tues.

PARIS Grand Palais The Origins of Impressionism 1859-89. Ends Aug 8. The Sun and the Northern Star: paintings, porcelain, furniture and silverware imported by Gustav III of Sweden in an attempt to emulate the splendour of Versailles. Ends June 13. Closed Tues.

PARIS Musée d'Art Moderne de la Ville de Paris From Van Gogh to Modrian. Ends July 17. Closed Mon (11 ave du Président Wilson).

PARIS Mona Bismarck Foundation Early Italian Peoples: pottery, jewellery, bronze statuettes and arms 3000-300BC. Ends May 17. Closed Sun and Mon (84 quai de New York).

PARIS Petit Palais Art of the Tainos Sculptors: 85 pre-Columbian masterworks in stone or wood. Ends May 29. Closed Mon.

ROME Villa Farnesina The China and 18th century Architectural Firework Machines: drawings and engravings depicting the annual ceremony in Rome when the Neapolitan ambassador offered a tribute to the Pope in return for the sovereignty of the Kingdom of the Two Sicilies. This was always

accompanied by a white horse, known as the China. Ends May 31. Closed Sun.

VIENNA Kunsthofmuseum From Chagall to Picasso, Masterworks from the Guggenheim Museum. Ends June 5. Daily.

VIENNA Jüdisches Museum Chagall's Russian Years: 50 oil paintings, watercolours and drawings from the period 1908-20. Ends June 12. Closed Sat.

VIENNA Museum des 20. Jahrhunderts Picasso: 180 paintings, drawings, ceramics and ceramics from the Ludwig Collection. Ends June 19. Closed Mon.

VIENNA Albertina The Young Kokoschka. Ends May 23. Daily.

VIENNA Künstlerhaus Art and Dictatorship: an exhibition comparing Hitler's, Stalin's and Mussolini's ideas of degenerate art in paintings and sculpture. Ends Aug 15. Daily.

VIENNA Museum für angewandte Kunst Tyranny of Beauty: a study of the wedding-cake architectural style of Stalin's era and the reconstruction of Moscow. Ends July 17. Closed Mon.

VIENNA Kunsthistorisches Museum Isabella d'Este, princess and patron of the Renaissance. Ends May 29. Closed Mon.

WASHINGTON National Gallery of Art Willem de Kooning's Paintings: 75 works by America's influential abstract expressionist, dating from the 1930s to 1980s and ranging from small oils on paper to large canvases. Ends Sep 5. Ruth Benedict Collection: 78 prints and drawings from the 16th to 20th centuries. Ends June 12. Daily.

As the shareholders of BAT Industries queue up for their free cigarettes at their annual meeting in London today, they might care to reflect on a curious shift in their company's strategy. BAT is a kind of corporate Jekyll and Hyde: on the one hand, an Anglo-American insurance giant, on the other the free world's second biggest purveyor of the killer weed, tobacco. For years, Jekyll has been in the ascendant; but as last week's \$1bn purchase of American Tobacco suggests, Mr Hyde is not finished yet.

The story of his revival is that of world tobacco as a whole. A decade ago, only a third of the world cigarette market was open to BAT. The rest was accounted for either by China - now a third of the world market on its own - or by state monopolies in countries such as Russia, Japan, France and Italy.

Denied room to expand, BAT started to pour its surplus cash into financial services, beginning with the near-£1bn purchase of Eagle Star Insurance at the end of 1983. But in the mid-1980s, the Japanese market started to open up, followed by Thailand and Taiwan. The Chinese market became slightly less hostile. Then came the crucial event: the fall of the Berlin wall, which opened up the whole of eastern Europe.

Thus, says Mr Martin Broughton, BAT's chief executive, in the past decade the available market has tripled, most of it happening in the last five years. "When we first moved into financial services," he says, "it was all in the context of seeing tobacco as a cash generator in long-term decline. We never saw it declining as fast as outside pundits, but we were looking to financial services for growth. Now we have two growth businesses."

The American Tobacco purchase scarcely fits the growth scenario, since the US market, by Broughton's reckoning, has fallen by a steady 2 to 3 per cent a year for many years. More than anything else, the deal amounts to buying cash flow on the cheap. Even so, it is hard to believe that BAT would have contemplated it had its thinking on tobacco not undergone a sea-change in the past few years.

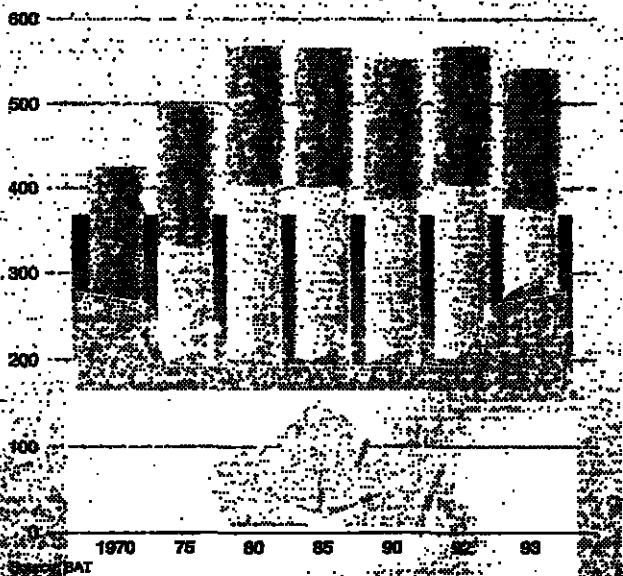
The logic for the deal is simple enough. The two giants of US tobacco, Philip Morris and RJR Nabisco, could not have bought American on anti-trust grounds: and given the anti-smoking climate in the US, anyone not already in the market would be crazy to get

Going up with smoke

Tony Jackson asks why tobacco is back in favour at BAT

BAT: keeping up the habit

BAT cigarette volume (bns)



Involved. As the number three US producer, BAT thus found itself in a buyer's market.

According to Broughton's sums, he would still break even on the deal if consumption fell by 7 per cent a year from now on. This, he argues, is unlikely on a sustained basis. Even if it did happen, he says, the deal would buy him time. A combined business selling 80bn cigarettes a year in the US takes longer to become non-viable than one selling 50bn, as BAT does at present.

Then again, if a 7 per cent fall sounds unthinkable, it is worth considering the case of Brazil. In its first quarter statement this week, BAT said its Brazilian cigarette volume had fallen by 17 per cent year on year, leading to a loss of several million pounds. Since this is partly due to such exotic factors as hyperinflation and cross-border smuggling from Paraguay, the comparison is not exact. But it is sobering to reflect that in Brazil, BAT still sells twice as many cigarettes a year - 100bn - as it does in the US.

On a wider front, the Brazilian experience suggests that

the brave new world of tobacco may have its awkward aspects. BAT's market share in Brazil is 80 per cent. In Chile it is 97 per cent. In fact, more than half of BAT's cigarette sales worldwide are in the 30 or so countries in which it has more than half the market: countries in which, historically, BAT had the official monopoly. Its big competitors such as Philip Morris have no such cosy tradition. As world markets open up, BAT has plenty to lose as well as to gain.

Looking further ahead, some of the big old state monopolies have yet to flex their muscles on the world stage. Japan Tobacco, the former Japanese monopoly company which still holds over 80 per cent of its home market, is starting to make headway internationally. But the really terrifying prospect is that one day its Chinese counterpart, the Chinese National Tobacco Corporation (CNTC), might do the same.

At present, Broughton argues, the phenomenal growth of the Chinese market must keep CNTC's hands full. "They're growing at a rate of 50bn cigarettes a year," he

says. "That's a pretty damned big factory [each year]." But the potential of a company whose cigarette output is roughly equal to that of Philip Morris, BAT, RJR Nabisco and Rothmans combined is slightly unnerving. "We've developed good relationships with them over the years," Broughton says cautiously. "But we certainly wouldn't suggest we know what they're going to do."

Meanwhile, the battle for the brave new markets continues, particularly against BAT's old adversary Philip Morris. The two make a very interesting match. Philip Morris has 12 per cent of the world market, BAT 10.5 per cent. Philip Morris is much bigger in the US, BAT rather bigger in the rest of the world. BAT has a range of weapons, from its vast experience of international markets to its paucity of local brands. Philip Morris has a single weapon, but a very formidable one: Marlboro, one of the strongest brand names in the world.

"Philip Morris is the most aggressive competitor we have," Broughton says. "They're very active in eastern and central Europe. They appear to use different financial criteria from ours. We've had three cases recently where we've been competing head to head to buy a factory [in eastern Europe]. Even in the third one, where we pushed our numbers up a bit, they put in a package three times as high as ours. Either they're right or we are. We don't know yet."

In any case, the main point is that in tobacco, BAT now has plenty to do. According to Broughton, the outside world was always wrong to see BAT as wanting to get out of tobacco. "The cash was available in greater quantities than could be invested in tobacco, since the opportunities weren't there," he says. "Now we have a number of alternative strategies open to us, each of which is viable and sound in its own right. We may not be able to do it all at once, but having competing opportunities is a position I like."

In other words, BAT's ambitions to buy a European insurance company or a UK building society may or may not come to immediate fruition. At the same time, BAT may or may not buy into the French tobacco monopoly when it is privatised, or grab other such opportunities as they turn up. Hyde and Jekyll, it seems, will have to coexist in the same corporate body for quite a while yet.



Joe Rogaly

Snooker for the voters

The phantom race for Mr John Major's job is sheer entertainment. Consider the three runners. Mr Michael Portillo, the loyal chief secretary to the treasury, has made it plain that he wants to be prime minister when he grows up. We should be safe until the next century.

Mr Michael Heseltine, the loyal president of the board of trade, studiously avoids opportunities to deny that if asked he would move into No 10 Downing Street. The request had better come soon if he is to get his chance while he is young enough to enjoy it. Mr Kenneth Clarke, the loyal chancellor, delivered the Maitland lecture on Wednesday. The what? Never mind. It came across as an advertisement for the candidacy of Clarke, K. willing and able, ready to start tomorrow morning. The talk had the flavour of those "why I think I would be good at this" affirmations commonly found at the tail-end of job applications. It lacked only "...and I know it would be an exciting opportunity..."

These three pretenders differ from one another in age, ideology, experience, subtlety and skill. Fortunately we are spared the task of sifting them out. When it comes to the essential qualification they are equally deficient. None of them has the stature, the magic, necessary to restore life to the Conservative coalition, beyond the fleeting moments that would follow victory. None is so magnificent that he can be trusted to lead the unleadable. Mr Portillo, whose support in the parliamentary party is concentrated within the Europhobic/xenophobic faction, is an unlikely unifier. Mr Heseltine, still unforgiven by some for

the downfall of Lady Thatcher, could not both pacify Mr Portillo's platoon and remain true to his previously stated convictions. Mr Clarke, whose Maitland lecture is the single visible piece of serious work he has produced since last November's budget, is a known Europhile and self-confessed spender on welfare.

If the Conservatives had a majority of 100-plus, as Lady Thatcher did, any one of the three could play the game her way. First win the leadership, then, in reshuffle after reshuffle, steadily call the cabinet of opponents. Those were the days. They are long gone. This year such surgery might destroy the Tories, not unify them. A prime minister with a majority of 17 and falling must weigh every decision with extreme care.

This makes steady, efficient administration of the country's affairs extremely difficult. Sackings that did not preserve the balance in the party might render the task impossible. In short, it could be that whatever the elections of yesterday's local election, the prime minister is safer than conventional wisdom suggests. He could even survive heavy defeats in next month's elections to the European parliament. Who knows? Who cares? Whether Mr Major stays or goes has become one of the terminally boring questions of British politics. The prime minister might hold on, or he might not. Either way, the Conservatives are saddled with the same problem. They must find a way of settling their differences, particularly over Europe. If they do not, they

will be unwelcome under any leader - even the loyal Mr Douglas Hurd, who is not actively campaigning for the post.

There is a second proposition that should give potential Tory assassins pause for thought. If they do force Mr Major out, his successor will be under strong moral pressure to call an immediate general election. This is the position taken, both in public and in private, by Mr John Smith. The leader of the Labour party does not imagine that there would be a fresh contest, a re-run of April 1992 which he would win. He merely regards the prospect of taunting a hypothetical new opponent as too good an opportunity to be missed. He is right. A second defection of a Conservative leader within less than four years would leave the electorate bemused. The Tories' reputation as the natural party of government would be sunk.

The legitimacy of the new prime minister would be questioned from the start. The new cabinet would be born destabilised. Labour could pile on the misery. Mr Smith beams when he pictures the scene.

His motives may not be particularly high-minded, but he does have a point. A new prime minister appointed by disgruntled Conservatives because they could not unite under the old one should seek a fresh mandate for his or her party. This is not a matter of law. It is more important than that. It is what would feel right. There are plenty of precedents for a change of prime minister within the lifetime of an elected parliament. The voters were not immediately con-

sulted when the then Mr Harold Wilson made way for the then Mr Jim Callaghan. Against that the British constitution is unwritten. It is famously plastic. It is only a slight exaggeration to say that it is whatever the principal political players choose to make of it at any given time. Their choice is heavily influenced by public opinion.

In the circumstances here envisaged, it would be proper to ask the electorate to endorse the change of prime minister, or choose another. A leadership contest this autumn would, if Mr Major's court is to be believed, be hard-fought. The incumbent would not go easily. The proceedings would necessarily be nasty. The purpose would be self-preservation of the maintenance in office of a deeply unpopular government. Tory MPs with marginal seats would be fighting to save their parliamentary careers. The national interest would not be considered.

This is not to say that we would be better off with Mr Smith. The time to decide about the Labour leader enlightens us about Labour's proposed policies. Indeed, if he does not he might get a rude shock. He might force Mr Major's successor to call an early election, and then fall out of history as Labour loses. Unlikely? Try this: Mr Heseltine becomes prime minister in November. He makes the happy discovery that the budget deficit is likely to be lower than previous projections indicated. A strong-looking cabinet, a quick tax cut, a promise of a referendum before joining any European single currency, a brilliant early spring campaign, and Labour could once again be snookered. The Tories would then resume their internal battles, having won themselves a breathing-space. Only the country would lose.

Tory assassins should pause. If they force Mr Major out, his successor will be under strong pressure to call a general election

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Always time to deal with the trivia

From Mr Bryn Glover

Sir, Adrian Furnham ("On the road to procrastination", May 4th) ought to read his Northcote Parkinson. True, the professor observes that the time spent on any item is inversely proportional to the sum of money involved, but that does not mean that committees handle trivial matters promptly; quite the reverse in fact.

Parkinson gives the example of the company finance committee members with feelings of guilty unease that they have just nodded through a multi-million pound redevelopment plan on the strength of a consultant's report which most of them did not really understand. A scheme to replace the room, reflecting contentedly on a good morning's worth of top-level decisions, and on the debilitating responsibilities of high office.

Three hours later, having shaved £23,46p off the original estimate, they retired exhausted to the executive dining room, reflecting contentedly on a good morning's worth of top-level decisions, and on the debilitating responsibilities of high office.

These were not decision avoiders, about whom Furnham is writing; these were keen decision takers, restrained only by their own inadequacies.

Bryn Glover,
14 Westley View,
Leeds LS7 3QL

A confusing state of Haitian affairs

From Ms Eileen M O'Connor

Sir, I am a bit confused. Former US President George Bush has suggested to current President Bill Clinton that the US discontinue its efforts to return President Aristide to power in Haiti because he lacks sufficient support there ("Clinton toughens stance against Haitian junta", May 4). He also feels that it would be a mistake to intervene militarily because

"no US lives are at risk in Haiti today". Since when has US policy in central/South America aligned itself with the wishes of the local population? And when did "US lives" and not "US interests" become the driving force in policy decisions?

Eileen M O'Connor,
20 Edgewood Road,
Glen Ridge, New Jersey,
US

Crest will leave the private investor with crumbs only

From Mr JD Little

Sir, Kevin Goldstein-Jackson ("Diary of a private investor: Unanswered questions", April 30) sheds further light on the proposed Crest share settlement system as far as the private investor is concerned. In this regard it is interesting to note that, buried in appendix III of the task force report is the fact that 67 per cent of bargains by volume are done by or for individuals accounting for 14 per cent by value. The private investor makes a considerable contribution to the functioning of the market.

I can answer his question on what weight is given to views submitted to the Bank or Treasury - none. After corresponding with both august bodies over a period of four months it was the task force report which finally indicated why my representations were getting nowhere: Mr Iain Seville, who heads the Crest project at

the Bank, was sticking strictly to the recommendations in the report and nothing was going to make him deviate from it. A long-shot letter I sent to Sir Bryan Carsberg, director-general of fair trading, produced a reply on his behalf which reiterated so many of the views expressed by the Bank that we are unlikely to get any redress from the Office of Fair Trading.

I am afraid the private investor is going to have to accept the crumbs dropped from the table of the fat cats. The problem is because Crest has been designed by and for the convenience of institutions; any so-called concessions to the private investor are a sop to divert criticism until Crest is introduced, when it will be too late to make any changes.

JD Little,
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Stoke Bishop,
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Euro straitjacket created on works councils

From Mr Zygmunt Tyszkiewicz

Sir, Mr Bert Thierion reassures us (Letters, April 29) that works councils will neither cost very much nor delay management decisions. However, the 18 agreements he cites were freely concluded and are therefore tailor-made to suit each company's individual needs, thus minimising costs and red tape.

The Commission's latest draft would force all companies into a rigid, bureaucratic straitjacket which ignores the infinite diversity of company situations. The apparent freedom it gives to negotiate any formula for information and consultation is an illusion; in the event of failure to agree, the minimum conditions in the annex to the directive are mandatory. The annex offers no choice. It imposes creation of a central European Committee with attendant rigidities and bureaucracy.

Urged on by trade unions,

workers will take the annex as a starting point for negotiations, not because it improves information and consultation; on the contrary, it will seriously interfere with many successful existing company information systems. Unions will insist on the centralised European Committee as a major step towards realising their ambition for pan-European union structures and collective bargaining. This unvoiced ambition has driven this project for 24 years, but cannot be the stated aim of a Commission Directive, since the right of association is expressly excluded from the scope of EU competence by Article 2.6 of the "Social Chapter".

The Commission's White Paper rightly blames the rigidity of Europe's labour markets for our failure to create jobs. Yet its draft directive on information and consultation will only add to these rigidities, unless the annex is modified

so that companies and their workers have freedom to devise the formula best suited to their individual needs. No single formula decreed by Brussels can possibly be right for all companies. In all four corners of Europe, the Treaty says a directive "shall be binding as to the results to be achieved... but shall leave to the national authorities the choice of form and methods". The present directive fails to respect this requirement.

It is not too late for the Council of Ministers to build the required flexibility into this directive, and especially its annex, thus sending positive signals to those who fully satisfying workers' needs for guaranteed information and consultation.

Zygmunt Tyszkiewicz,
secretary general,
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B-1040 Brussels, Belgium

Directors must be responsible

From Mr Tony Gamble

Sir, Mr Ian Brindle's concerns (Letters, May 3) about the unlimited liabilities of auditors would be reduced if the appropriate prosecuting bodies took a tougher approach on directors' liabilities.

For many employees "becoming a director" has no more implications than, say, getting a better company car. For the retired businessman "taking on a few non-executive directorships" is often thought of as a bit of handy fee income in exchange for attending the occasional board meeting.

Most such directors have no knowledge of their duties contained in the Companies Act. They may not even realise that they have personal liability for unpaid company Paye/National Insurance, or to unpaid creditors if the company fails having traded knowingly insolvent. I believe that is because the authorities either turn a blind eye, or are too busy to take proceedings against directors. Most of us have dealt with companies where the dominant director(s) has traded into insolvency and then reappeared, phoenix-like, often in the same area of business. Why, we all ask, are these people allowed to get away with it?

It may be argued that often many (junior) directors are not privy to the information that enables them to know whether the company is trading within the law. On the other hand "ignorance" is not treated as a defence in other legal matters.

A tougher line on those who are elected as "stewards" of the company would encourage them to be more realistic about their own policies, or be more appreciative as to what they are asking their auditors to do.

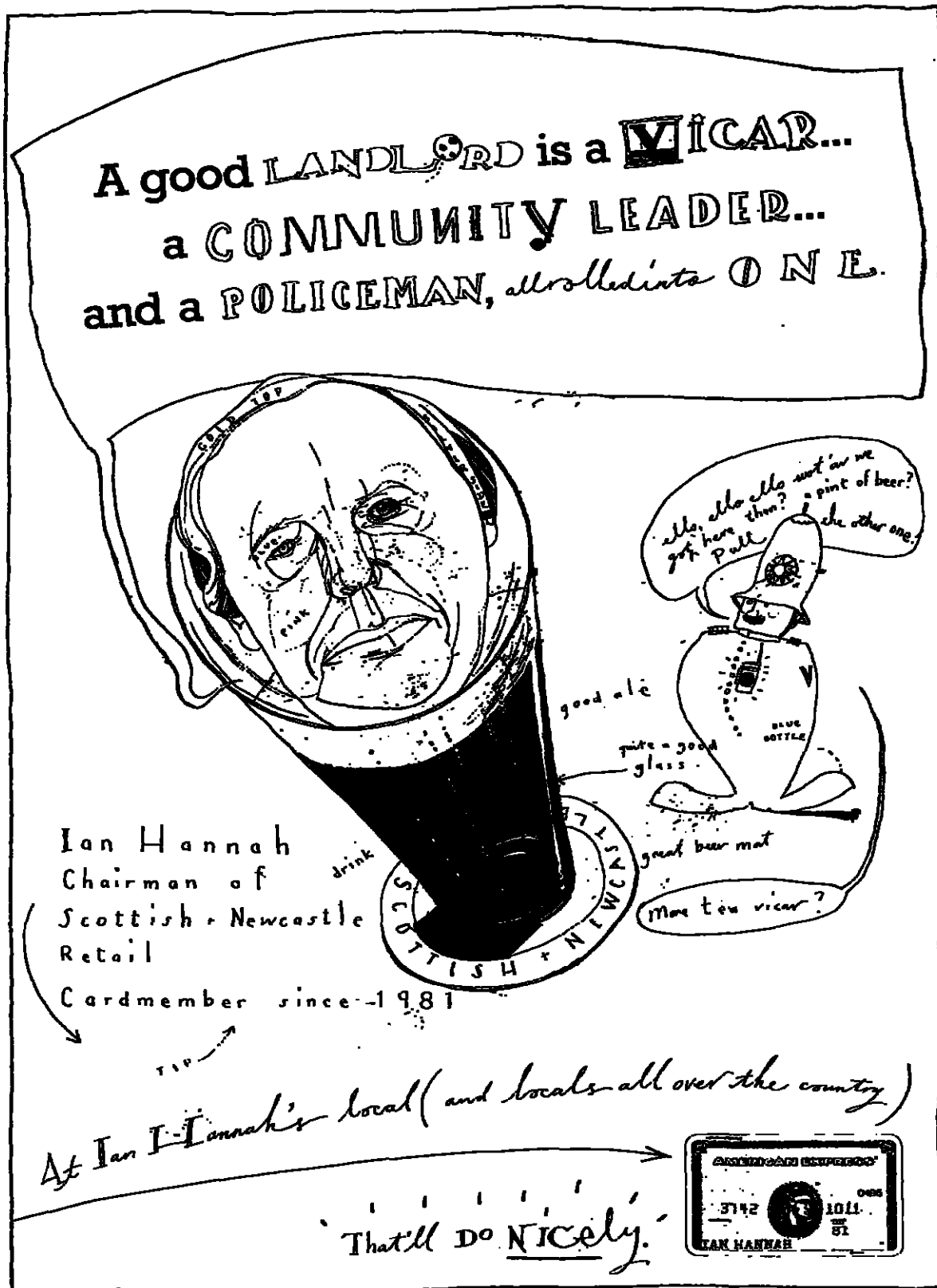
Tony Gamble,
Managing Director,
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241 Shaftsbury Avenue,
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Not at Harrods

From Mr Michael Cole

Sir, Harrods serves 15,000 cups of coffee a day to the patrons of its 12 restaurants and sells 30,000lb of coffee beans every year to customers of its food halls, but Starbucks does not operate a coffee kiosk in Harrods's London, as you report ("The US wakes up to a new aroma", April 30). Nor does Harrods take an apostrophe.

Michael Cole,
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FINANCIAL TIMES

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Friday May 6 1994

All hands to the dollar

Markets are bearish on the dollar. Equally, US policy-makers are unwilling to see the dollar fall further. Both pieces of information are subject to alteration at any moment. But at least the dollar weakness offers a good opportunity to push policy faster in the direction it is - and should be - moving: towards tighter monetary policy in the US and looser policies in Germany and Japan.

It is not impossible to explain why the dollar has been so weak. The problem is, as usual, that there are far too many explanations. This is so even though some explanations can be eliminated quite quickly. Investors are not moving into the yen because of the strength of the Japanese government or, for that matter, the vigour of its recovery. The same is true, if to a lesser degree, for Germany.

Short term interest rate differentials are also not moving in favour of the yen and D-Mark. On the contrary, interest rate differentials on three month money have moved consistently in favour of dollar-denominated securities: by four percentage points vis-a-vis the yen, since the cyclical trough reached in April 1991, and by six percentage points vis-a-vis the D-Mark since September 1992. These shifts in relative interest rates have been widely expected. It is hardly surprising therefore that conventional wisdom expected the dollar to be strong. Conventional wisdom has been disappointed.

Current accounts

Three explanations for dollar weakness remain: first, that the current account surplus of Japan and deficit of the US are a permanent, if intermittent, source of upward pressure on the yen; second, that the dawn of recovery, however faint, in Japan and continental Europe heralds relatively high returns on real assets; and, finally, that expectations of inflation, even though they have deteriorated everywhere, have deteriorated rather more in the US than in the other major countries.

What is important to note is that the US current account has fallen by 11 per cent against the yen since the beginning of the year, but also by more than 7 per cent against the D-Mark just since February. Dollar weakness is a general,

rather than just a bilateral, phenomenon. At the same time, while bond rates have risen everywhere, they have risen more in US dollars than in yen or D-Mark. Since last autumn, the differential against 10 year D-Mark bonds has moved from almost minus one percentage point to plus half a percentage point and against the yen it has moved, over the same period, from one percentage point to more than three percentage points.

These shifts imply not only a marked relative decline in expectations of US inflation, but also a parallel shift in views about the long term performance of the US dollar. The currency must be expected to move to offset changes in relative long term interest rates. Some of that shift has occurred right now.

US policy

It would be foolish for US policy makers to ignore the pessimism. Fortunately Mr Lloyd Bentsen, the Treasury secretary, in justifying recent intervention, announced that the administration "sees no advantage in an undervalued currency". Unfortunately, the administration does not seem to recognise that the very same logic applies to the internal purchasing power of the dollar. What it needs to do is to support the action of the Federal Reserve in raising short term interest rates and so help preserve the credibility of US counter-inflationary policy. Indeed, failing such action, it may be impossible to stabilise the exchange rate.

Yet the unexpected weakness of the dollar has its good side. It has encouraged senior Bundesbank officials, including the president, Mr Hans Tietmeyer, to admit that D-Mark strength is unwelcome. With luck, that will bring forward further needed declines in German short term interest rates. Equally, without a government, the sole policy-maker able to act in Japan is its central bank. Here too aggressive monetary loosening, via exchange market intervention, is justified. It would be helpful if short term interest rates were lowered too. US dollar weakness may be a surprise. It may be unwelcome to most policy makers. But at least it should force the US, Germany and Japan to accelerate the changes they need to make in their monetary policies.

The tunnel visionaries

The question of Britain's institutional links with the rest of Europe may continue to bedevil its national politics. But from today, the country's geographic relationship with the continent is definitively settled. With the opening of the Channel tunnel, it can never again be truthfully claimed that the UK is not part of Europe. That is a development which deserves to be celebrated, for both symbolic and practical reasons.

Late, over-budget and beset by financial uncertainties though it is, the Anglo-French project marks a milestone in co-operation between two countries accustomed to viewing each other as rivals rather than as natural allies. As an engineering achievement, it represents a triumph of human perseverance over arduous physical and technical obstacles. And as a means of transport, it offers advantages in speed and convenience which promise in time to reshape trade patterns and transform popular attitudes to international travel, above all on the British side of the Channel.

Probably the biggest wonder is the fact that the tunnel has been completed at all. Had it depended on government funding, as originally planned, it would almost certainly not have been built. The half called in 1975 by the Wilson government - which concluded it could not afford both the tunnel and the Concorde aircraft programme - would have been seen to that. The project was rescued only by the decision a decade later by a radical rightwing UK prime minister and a socialist French president to resurrect it as a private sector venture.

Useful example
Private management has not been a trouble-free solution. Euro-tunnel's history has been punctuated by missed deadlines, financial cliffhangers, public squabbling and successive increases in total cost. Nonetheless, without the commitment of private capital, notably by the commercial banks, the pressures to ensure accountability, contain cost overruns and drive the project through to completion would almost certainly have been weaker. That commitment has also been a useful example to some other governments about the

potential of privately owned national infrastructure.

However, it would be disingenuous to view the venture as a pure experiment in free enterprise, untouched by the hand of government. Much of its financing has depended on state-owned French banks closely linked to centres of political power and, at a crucial juncture, on arm-twisting by the Bank of England. The cost overruns are due partly to government mandated specification changes during construction. And the project's viability hinges on public expenditure on fast rail links, which the UK government at one stage balked at approving.

Further refinancing

Nor is it certain that private capital would have been as readily available if its providers had known at the outset what they know now. As the project's construction budget has steadily mounted, its revenue forecasts have been repeatedly downgraded, deferring the prospect of returns. As a consequence, Euro-tunnel will soon be obliged to seek further refinancing to replenish its dwindling cash resources.

Why the banks have remained loyal for as long as they have is a moot question. Perhaps it is because they genuinely believe that Euro-tunnel will eventually prove a big money spinner - just as the Mont Blanc tunnel did after it was built three decades ago. Or maybe it is because they concluded long ago that it would cost them more to cut their losses by calling in their loans than to stick with the project to the end.

Either way, it is clear that projects as monumental, as innovative and with as long a lifespan as the Channel tunnel defy the risk and return calculations conventionally employed by providers of private capital. Their achievement involves a blind faith and vainglorious ambition exceptional in business and rarer still in Anglo-Saxon financial markets often accused of excessive short-termism. How far such faith will reap commercial rewards is still impossible to say. But the world is a richer place for this place of Anglo-French tunnel vision, whose benefits will be counted for generations to come. Euro-tunnel has changed the map of Europe for the better.

The countdown has started for what will be the most important lift-off in the 14-year history of Ariane space, the European satellite launch company that has given Europe leadership in the \$2bn a year commercial space transport business.

"It would be a catastrophe if we suffered a second consecutive failure," says Mr Charles Bigot, the chief executive of Ariane space, bluntly.

Since the failure on January 24 of an Ariane 4 rocket with the \$350m loss of Turkey's first national satellite, Turkestat 1, as well as a European telecommunications satellite, the European consortium has been working round the clock to investigate and modify its rocket to ensure that the launch at the beginning of next month goes off without a hitch.

The stakes are high. Ariane space must restore confidence among its international customers at a time when competition in the high risk commercial satellite launch business is intensifying. Apart from its traditional US rivals, the European group is facing an increasing challenge from Russia, China and Japan, all seeking to penetrate the western commercial launch market.

New cut-throat price competition coupled with uncertainties about European governments' funding of future European space initiatives, risks undermining the success of the Ariane programme. The project has done for the European space industry what the Airbus consortium achieved in the civil aircraft field: the establishment of a credible competitor to the US dominance of commercial aerospace markets that lasted until the early 1980s.

The achievement has been all the more remarkable because Ariane space, 56.6 per cent controlled by French state and private shareholders but also public and private shareholders from 11 other European countries, was set up when rockets, or expendable launch vehicles (ELVs) as they are known, were widely believed to have become redundant.

The US threw its lot into the development of the space shuttle. But the Europeans considered a manned shuttle too complex a system on which to build a reliable space transport business.

The gamble paid off. The disaster that befell the US shuttle Challenger in 1986 and the long interruption in US shuttle flights vindicated the European decision to concentrate on rocket technology. It also helped Ariane space to capture more than 50 per cent of the commercial satellite launch market.

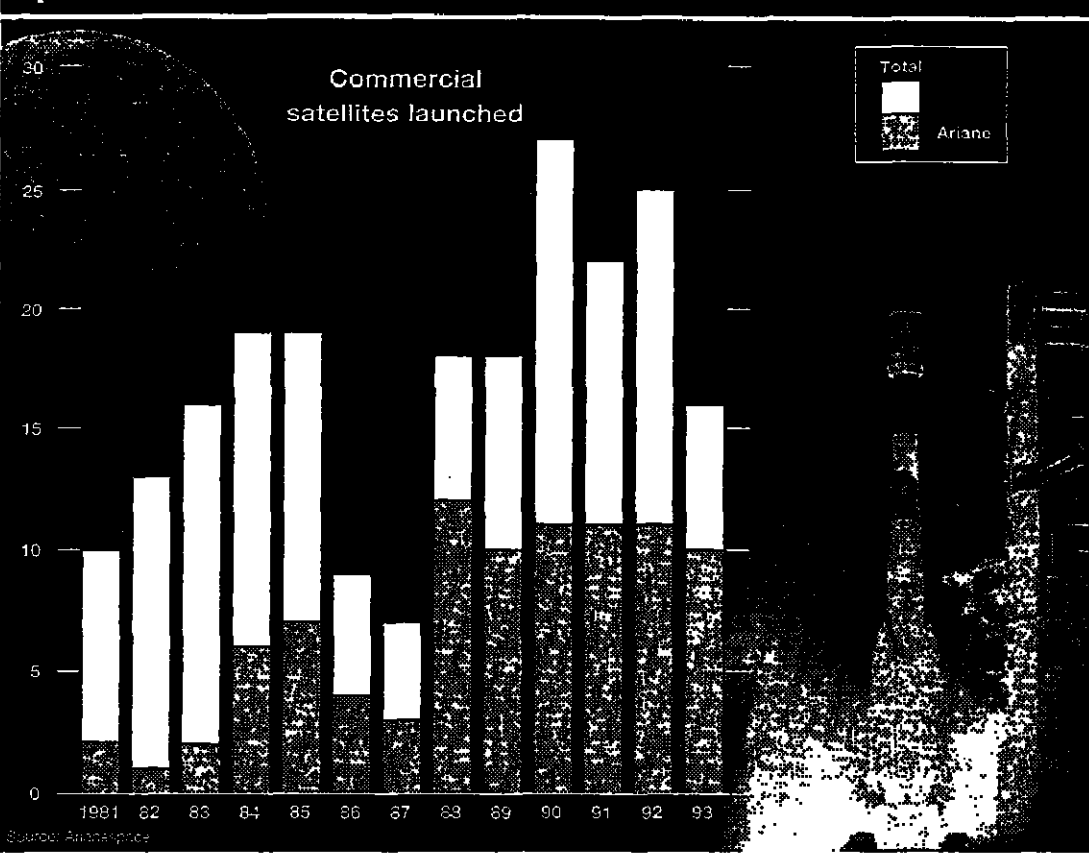
"It was not just the choice of sticking with ELVs. But Ariane's success was also the fruit of a new concept in space launches," says one French space industry official. "The idea was that not only could launches be produced and sold like aircraft, but that a comprehensive launch service also had to be offered to the market," he adds, explaining that Ariane space now offers its customers financing facilities, satellite insurance cover and other services.

Until the latest accident, the reliability of Ariane rocket launches

The ambitions of the European space industry will ride on next month's Ariane 4 mission, writes Paul Betts

High stakes at the launch-pad

Space: the force with Ariane



ability of Ariane rocket launches had also helped build up international market confidence. Since the first experimental launch in December 1979, there have been 63 launches, of which six have failed. But since the introduction in 1988 of the bigger Ariane 4 rocket capable of placing more than one satellite into orbit, there have been only two failures: flight 36, which destroyed two Japanese commercial satellites, and the recent flight 63.

Flight 36 failed in February 1990 because a cloth was left in the rocket's cooling system. "It was a stupid accident," concedes Mr Bigot, "but it did not raise questions on the fundamental soundness of the rocket." In contrast, the flight 63 failure was the result of an engine shutdown in the third stage of the rocket after an oxygen pump bearing overheated. "We couldn't simply say it was the fault of a rag or a particle of sand: the explanation of what happened was far more subtle," Mr Bigot adds.

A board of inquiry set up after the accident did not establish a "unique and proven cause" for the failure. It concluded, however, that the engine shutdown was probably

due to the conjunction of a late pre-cooling of the liquid oxygen pump bearing and a series of aggravating factors. Modifications have now been made to ensure that the rocket's third stage cryogenic engine is less prone to overheating.

The new modified systems have undergone more than 100 tests at facilities in France and Belgium. Mr Bigot has travelled to the US and Japan to reassure customers who are also kept up to date with weekly company briefings on the latest developments in the Ariane rocket corrective programme.

"We now have the situation well in hand," says Mr Bigot. "It is most important for us to show our customers how we are correcting the system. They would never forgive us if we failed to give top priority to quality and security."

Ariane space is also anxious to resume rocket launches as quickly as possible to meet its existing commitments to place in orbit 39 satellites for a total revenue of about \$30m during the next three years.

Before the January accident, the company had planned 10 Ariane 4 launches this year at monthly intervals. It is still hoping to meet this

target by adjusting its procedures to enable launches every three instead of four weeks from the beginning of next month.

Although Ariane space has continued to win new satellite launch orders since the flight 63 failure, the four-month interruption in its timetable has inevitably had an impact on business, with some potential orders lost to competitors.

The biggest blow was last month's decision by the European Telecommunications Organisation, Eutelsat, which consists of 29 European telephone companies, to opt for a US General Dynamics Atlas 2A rocket to launch a television satellite, Hotbird 2, in August 1996.

The telephone consortium claimed it picked the US rocket because there were no slots available at that time in Ariane space's packed launch manifest for its Ariane 4 rocket. But Ariane space had offered to launch the Hotbird satellite on the first commercial flight of its new Ariane 5 rocket, scheduled for late summer or early autumn of 1996.

The underlying reason for Eutelsat's decision appears to have been its reluctance to be first on Ariane

space's larger and more powerful rocket, which will eventually replace the current family of Ariane 4 rockets, suggests a senior French aerospace official. "It's clearly a snub for Ariane to see a European organisation not committing itself to a rocket programme in which Europe has invested more than \$60m," he adds.

Ariane space officials describe the Ariane 5 programme as Europe's biggest engineering project after the Channel tunnel with substantial infrastructural investments already completed at Ariane space's launch site in the jungle of French Guiana.

Ariane 5, a two-stage rocket capable of transporting 6 to 7 tonnes of satellite payload compared with 4.5 tonnes on the three-stage Ariane 4, has been designed not only to put heavy satellites into orbit but also to carry manned spacecraft and parts of a planned space station programme being studied jointly by the US and European space industries. Space experts also believe that the two-stage rocket design will provide even greater safety and reliability because most failures have so far involved the third stage of the Ariane rockets.

Our ambition is to become during the next 30 years not only a satellite launch company but also Europe's space transport company providing flight services to and from space as well as in space itself," Mr Bigot explains. But with the cuts in Europe's space budget, the immediate challenge for Ariane space is to consolidate its position as leader in the commercial satellite launch market.

To remain competitive, Ariane space must retain at least 50 per cent of the commercial satellite market. "We need a large market share to justify the scale of our investments and maintain competitive operating costs for our rockets," Mr Bigot concedes, adding that the operating costs of the new Ariane 5 rocket will be directly tied to the rocket's annual launch rate.

Achieving this long-term target will depend on the reliability as well as the cost of the European consortium's satellite launch services, compared with rivals.

US competitors have become more aggressive following the failure of the Challenger space shuttle eight years ago and the subsequent decision of the US government to encourage its three US launcher manufacturers (McDonnell Douglas, General Dynamics and Martin Marietta) to compete for commercial business against Ariane.

As for other competitors, Mr Bigot is more worried by the Russians at this stage than the Chinese who are still trailing western manufacturers. He also regards the threat from Japan as a longer-term problem.

In four weeks, the future of Ariane space and the ambitions of the European space industry will ride on the sixth mission of the Ariane 4 rocket carrying an in-flight telecommunications satellite and two small space technology research vehicles for the British Ministry of Defence.

Space war over eastern sky

Jenny Luesby on the threat from rival satellite launchers

final orbit, rather than requiring boosters on the satellite to fuel the last leg of the journey. Besides saving fuel, this almost doubles the life of the satellite, to 12 years.

Since the Immarsat deal, the US and Russia have agreed on a quota of eight Russian launches of US-made satellites by 2000, in return for the US granting, for the first time, export licences to American satellite manufacturers. Russia has also agreed to refer to the US for approval any Proton bid that undercuts the lowest western offer by more than 7.5 per cent.

However, the agreement has done little to slow sales of Proton launches, which boast a record of

reliability comparable to the market-leading Ariane. A recent joint venture between the US aerospace group Lockheed, Khruvichev, the maker of Proton, and the Russian research group, Energia, announced that since the Immarsat deal, it has won orders for Proton worth \$600m.

The US telecoms group Motorola has booked Proton for the launch of 21 of its satellites for the Iridium communications network. Khruvichev says these orders do not exceed the quota agreed with the US; the Iridium launches will be to low-earth orbit, the quotas only cover launches into the higher geostationary orbit.

But western competitors doubt whether Russia will adhere to the quotas, pointing to the failure of a similar deal between the US and China to prevent undercutting: China consistently offers deals at a discount of about 30 per cent to comparable European prices.

But China's price competitiveness has been undermined by the dubious safety record of its Long March launchers. A planned launch for Australia was aborted in March 1992, while last month the destruction of China's first advanced weather satellite on its final pre-flight testing further undermined China's ambitions.

The accident has set back China's

planned launch of six satellites this year. But with the US deal on Chinese foreign launches due to expire in December and several foreign satellites already booked for Chinese launches over the next decade, China's space ambitions are far from dead.

Meanwhile, Japan's space effort finally achieved the maiden flight of its H-II launcher in February, some two years behind schedule. The H-II's main engine, the LE7, is fuelled with liquid hydrogen. Although the LE7 has been beset with technical problems, it has greater potential for higher performance than the more traditional closed combustion engine. However, with launches restricted to just two a year, for environmental reasons, and no commercial customers yet signed up, Japan is unlikely to make an impact on the commercial satellite launching market for some time.

OBSERVER

Battle of the bulge

At least Nigerian citizens can get cracking with head of state General Sani Abacha's "War Against Indiscipline and Corruption". Due to start in April, it was postponed but not - as a wink was suggested - because of trouble deciding the identity of the enemy in this odd war.

Still, the war should prove highly popular in some quarters of Lagos. It might persuade the police guarding the federal secretariat to cease doing a brisk trade in parking spaces. It could ease the city's traffic jams, by preventing drivers from queuing to buy scarce fuel - supplied by state monopoly - from illegal roadside hucksters.

It might even reconnect the FT's office telephone. Despite paying the bills on time, it's been disconnected by clerks at the state-owned telephone company Nitel. They say an additional cost is necessary in order to "reconcile the account".

As in, "reconciled to one's fate".

Mane stream

Gendjim the mystery horse finally surfaced in France yesterday, two months after arriving from the central Asian republic of Turkmenistan, a special gift to president Francois

Mitterrand. The French media has been whinnying about Gendjim's non-appearance so the presidential palace gave him a special photo-call at the Parisian barracks of the Republican Guard. Alexandre Gros, a veteran rider and trainer, said Gendjim, a light-bay 7-year-old, had arrived tired and emotional and needed peace and quiet. He should be getting plenty of that. Mitterrand, 77, does not ride.

Mint condition?

The Royal Mint has made a bit of an ass of itself - and produced a mule. In addition to the £2 base metal coins being struck to commemorate the Bank of England's tercentenary, the Mint decided to produce a limited edition of one thousand 22 carat gold coins.

About 800 had already been dispatched when one eagle-eyed numismatist noticed that the design on the front of the coin differed from that in the marketing literature. It lacked the crucial "Two pounds" legend under the Queen's head.

Apparently the die for a double sovereign (confusingly also worth two pounds, but which has St George and the dragon on the reverse) had been paired with the (correct) reverse of the special Bank commemorative design.

Ergo, a mule, which is two incorrectly associated dies - and



"I want you to take the mick out of political correctness"

a rare enough event to get coin collectors pretty excited. The Mint would like the dull ones back. Sadly, the fact that they are not legal tender is hardly going to bother the punters, who paid £295 apiece for their now distinctly more curious curiosities.

Tight-fisted

Still on the subject of tercentenaries, the Bank of Scotland has not yet made up its mind how it should celebrate its big birthday next year.

It may have been founded by the same man who set up the Bank

of England - but it doesn't sound as if it will imitate the Bank of England's extravagant partying with everything from floats at the Lord Mayor's show to a specially commissioned musical by Geoffrey Burgon.

Even so, the board of the Bank of Scotland should at least be able to be a bit more generous than it was at the time of the 250th anniversary in 1945.

Then the staff presented the board with a silver casket which they had to pay for. Indeed, staff members on active service were written to - the only communication they received from the bank during the war - and told that their accounts were automatically being debited to pay for the gesture.

Lost in space

When Bill Clinton next visits the UK, his expatriate party loyalists might improve their chances of gaining an audience by changing their name to "Democrats, a broad".

Flushed out?

Tut, tut. Is Sir Tim Bell, Lady Thatcher's favourite spin doctor, about to reverse his private PR business into a toilet cubicle maker?

Sir Tim was surprisingly silent when Observer contacted him

yesterday about a Daily Mail report that he was planning to use Chartwell, a small Gravesend company, to get his long-remembered stock market quote. He has grown his Lowe Bell business into Britain's second-biggest PR company in double quick time.

The presence of a few trophy names, such as Lord Carrington and Sir Ronald Gifford, on the letter head of Chime Communications, his parent company, suggest Sir Tim has public ambitions.

But why Chartwell? Its shares were suspended yesterday, pending shareholder approval of a "proposed substantial acquisition". Luke Johnson, a former media analyst at Kleinwort Benson and son of writer Paul Johnson, has a stake in Chartwell and was involved in the successful reverse takeover of PizzaExpress. Hence, the gossip that Sir Tim is about to make a move.

Given the recovery in the media sector - market leader Sandwick's shares have recovered from 24p to 53p - there might be a window of opportunity for PR companies to come to market.

But Sir Tim had better be quick.

Socket to me

Q: How many people does South Africa's Independent Electoral Commission need to change a light-bulb?
A: No idea - they're still counting.

Brossette BTI
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Friday May 6 1994

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IN BRIEF

AMB lifts profits to DM85m

Aachener und Münchener Beteiligungs (AMB), Germany's second-biggest insurance group after Allianz, reported net profits of DM85m (\$50m) for last year, up from DM78m. Page 18

Not such a Blockbuster after all
Dead but not buried. That was the epitaph pronounced this week by one Wall Street analyst on the proposed takeover of video retailer Blockbuster Entertainment by Viacom, the film, television and publishing group. Page 19

McDonnell Douglas gets fit
McDonnell Douglas, the US aerospace and defence group, has been building up financial muscle. Page 20

Bank Austria cuts dividend
Bank Austria, the country's largest bank, yesterday reported a sharp rise in operating profits but will pay a reduced dividend of 8 per cent. Page 22

Nintendo suffers in Tokyo

Nintendo, the Japanese leading video game maker, has had a bad time on the Tokyo stock market. Poor sales in Europe, the strengthening of the yen, the lack of new products and increasing competition have hurt earnings, forcing the company to cut initial profit estimates for the business year ended last March. Back Page

End of the line for bulls shopping in China
The first flush of enthusiasm for "China Inc" that was so much in evidence last year has given way to caution. Share prices of the first clutch of Chinese state companies listed in Hong Kong have come under pressure this year. Page 22

Peppor offers £60m to Brown & Jackson
Peppor, the South African retailer, is expected today to offer to inject up to £60m into Brown & Jackson, which owns the troubled Pound-stretcher chain of discount retailers. Page 24

Body Shop continues recovery
Body Shop International continued its profits recovery, yesterday reporting a rise at the pre-tax level for the year to end-February from £21.5m to £23.7m, more than reversing the decline of the previous 12 months. Page 24

MEPC buys Midlands portfolio
MEPC, the quoted UK property company, has bought a £67m portfolio of office and industrial properties in the Midlands from the Richardson Group, a private property company. Page 26

Co-ops form force in retailing
Co-operative Retail Services, the second largest co-operative retailer in the UK, yesterday launched a new proposal for a merger with the largest, Co-operative Wholesale Society, to create a significant retailing force. Page 26

Ford UK suffers again
Ford of Britain, the leader of the UK new car market, suffered a third successive year of heavy losses in 1993 (excluding Jaguar). Page 27

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Chief price changes yesterday

FRANKFURT (DM)		Tenno	84% + 1
Alcoa	1515 + 37	Wolseley	31% + 2
Alstom	867 + 32	Wolseley (FF)	47% + 6
Alstom	867 + 32	Wolseley (FF)	47% + 6
Alstom	867 + 32	Wolseley (FF)	47% + 6
Alstom	867 + 32	Wolseley (FF)	47% + 6
Alstom	867 + 32	Wolseley (FF)	47% + 6
Alstom	867 + 32	Wolseley (FF)	47% + 6
Alstom	867 + 32	Wolseley (FF)	47% + 6
Alstom	867 + 32	Wolseley (FF)	47% + 6

Tokyo closed, New York prices at 12.30.

LONDON (Pence)		Wolseley	452 + 14
Alcoa	450 + 39	Wolseley	320 + 18
Alstom	251% + 13	Wolseley	580 + 13
Alstom	251% + 13	Wolseley	580 + 13
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Alstom	251% + 13	Wolseley	580 + 13

Associates help News Corp rise 28%

By Nikki Tait in Sydney

News Corporation, Mr Rupert Murdoch's media and publishing group, holding the remainder; News also owns 50 per cent of BSKYB, with Pearson, owner of the Financial Times, holding a minority interest.

By contrast, operating profits before tax from News' core operations fell to A\$303.7m in the quarter, compared with A\$373.4m a year ago. Their operating profits in the first nine months stood at A\$1.18bn, down from A\$1.24bn.

Group revenues were A\$2.59bn (from A\$2.64bn) in the third quarter, and A\$8.42bn (against A\$8bn) in the nine months.

interest charges. (Ansett is 50 per cent owned by News, with TNT, the Australian transportation group, holding the remainder; News also owns 50 per cent of BSKYB, with Pearson, owner of the Financial Times, holding a minority interest.)

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News said its strategy of boosting circulation by cover price reductions was being achieved, with the Sun's circulation up by 16 per cent, the Times by a third.

Book-publishing made a A\$22.1m loss (from a A\$3.6m profit) in the quarter, with News saying that HarperCollins saw higher than anticipated returns, deeper customer discounts and write-off costs related to the "Celebrate Reading" programme.

Magazines and inserts made A\$2.5m in operating profits, down from A\$1.13m, but television improved from A\$5.2m to A\$7.7m, and filmed entertainment from A\$1.9m to A\$6.1m.

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Associate companies contributed A\$102.4m in the third quarter, compared with A\$28.9m. Interest charges dipped from A\$180.4m to A\$158.3m.

There was a net abnormal charge of A\$5.2m in the third quarter, compared with a A\$12.3m profit last year, leaving attributable profits, after tax, at A\$22.7m (A\$190.7m). The nine-month figure after abnormal charges stood at A\$91.6m (A\$643.5m).

News said BSKYB had 3.4m subscribers - an increase of more than 1m since last June - with more than half the total taking the full premium package. Lex, Page 16

Decline in first quarter reflects reduction in capital and currency gains

Rhône-Poulenc sees beginning of an upturn

By John Riddling in Paris

Rhône-Poulenc, the French chemicals and pharmaceuticals group which was privatised last year, reported a sharp fall in first quarter net profits to FF118m (\$32.41m) compared with FF176m in the first three months of 1993.

The company said that the decline, which contrasted with improved results at other European chemicals groups, largely reflected the sharp reduction in capital gains on the disposal of assets and the absence of currency gains. Both factors lifted profits in the same period last year.

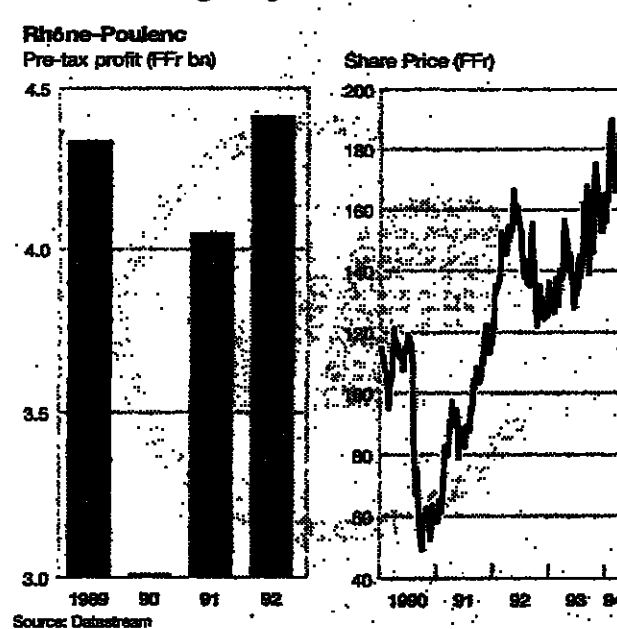
Operating profits slipped by much less than the net result, falling from FF1.74bn to FF1.68bn. Sales rose slightly, increasing from FF19.8bn to

FF20.09m for the three months. Mr Jean-René Fourtou, chairman, said that the results showed the beginnings of an upturn in sectors sensitive to recession and a stabilisation in the group's healthcare activities. In spite of the improvement, however, he said the company did not expect a genuine upturn in the European economy this year.

Organic and inorganic chemicals activities benefited from improved sales, increasing profits to FF57m from break-even last year despite the continued weakness in prices. The fibres and polymers division recorded strong gains, increasing profits from FF51m to FF134m, while specialty chemicals saw profits rise by 22 per cent to FF173m.

The healthcare division, which includes US based Rhône-Poulenc Rorer, reported slightly

Where the group stands



Source: Datastream

higher profits of FF1.23bn. The most difficult problems were encountered in the group's agricultural activities, which include herbicides, pesticides and insecticides, and which saw operating profits decline by 29 per cent to FF343m.

According to Rhône-Poulenc, sales were affected by weather conditions at the beginning of the year in Europe and the US. The company said that the division was on course for improved profits for the full year.

Industry observers said that full year profits for the group as a whole were difficult to predict because of the importance of asset sales. In the first quarter of last year, for example, gains on asset sales amounted to FF124m, compared with just FF17m in the comparable period this year.

Indonesian telecom to be listed in New York

By Manuella Saragosa in Jakarta

The Indonesian government is to list 25 per cent of PT Indosat, the state-owned telecommunications group, in New York and has hired Merrill Lynch as lead underwriter.

The move, in the form of an issue of American depositary receipts, will introduce one of Indonesia's largest companies to the international financial community.

It also marks the first time an Indonesian company has listed shares overseas before doing so at home. A further 10 per

cent of the company will be listed on the Jakarta Stock Exchange. PT Danareksa Sekuritas will manage the domestic share sale.

Brokers in Jakarta estimate Indosat will raise at least \$500m in New York. Indosat's president Mr Tjahjono Soerjodibroto said the share placement would take place in the second half of this year.

Indosat is one of Asia's most profitable companies. In 1992, the company's assets were valued at \$690m and the company recorded a net profit of \$240m.

No figures are available yet for last year,

but the telecommunications company has a healthy track record. Mr Soerjodibroto commented, "We've been among the top five biggest tax payers in the country since 1982."

Indosat, which employs about 1,600 people, recorded net profits of 237bn rupiah in 1992 against 208.5bn rupiah in 1991. Indonesia will invest \$10bn over the rest of the decade to expand telecommunications across its archipelago of 14,000 islands.

The decision to list overseas was also prompted by the fact that the Jakarta Stock Exchange limits share prices to 15

times earnings, while Merrill Lynch is believed to have advised Indosat to sell its shares at about 30 times prospective 1994 earnings in New York.

Not everyone is convinced, however, that selling shares abroad is Indosat's best option. Some local officials and brokers argue that a larger portion of the shares should be sold in Jakarta to stimulate development of the local stockmarket.

Indosat is the first in a series of Indonesian state-owned companies to seek listings overseas and is likely to be followed up by Garuda, the national airline.

QVC to expand television home shopping into Europe

By Raymond Snoddy

QVC, the television home shopping channel, is planning to expand into continental Europe with the possibility of local language channels in Germany, France and Italy.

Mr William Scherck, president of QVC International and a close associate of QVC executive Mr Barry Diller, said yesterday that talks with potential partners were under way.

"Expect startling announcements within the next six months," said Mr Scherck who is responsible for taking the QVC concept around the world.

QVC has grown to a \$1.2bn-a-year revenue business in the US in less than eight years. It was launched in the UK last October and a month later in Mexico.

The company said it had reached agreement with the Dutch cable television association to transmit in the Netherlands and will launch in Norway in June, Denmark in June or July, and Sweden and Belgium by the end of the year.

They will be serviced from the UK in English with the help of bilingual telephone operators.

Mr Scherck said joint ventures and channels in French, German and Italian were the best way to tackle the biggest markets of Europe. He hoped to be able to launch such channels in these countries next year.

Since its launch in the UK, the shopping channel estimates it has reached 4.5 per cent of its potential customers - a faster rate than in the US. There, the channel has signed up only 8 per

cent of its potential customer base in eight years.

Mr Scherck confirmed yesterday the UK channel was in line to reach its first year revenue target of \$40m (\$58.4m).

The QVC channel has also had talks with a UK supermarket group about extending its range of "impulse" buys, which include electrical goods, jewellery and sports equipment, to packages for £30 or £40 of non-perishable supermarket items such as cleaning equipment and canned goods.

Already in the UK, the power of showing things on television is having an effect.

QVC bought 500 cooker hood filters, wondering whether anyone would buy them. "We sold 3,500 within two weeks," said Mr Scherck.

BP increases dividend 20%

By Robert Corzine in London

British Petroleum yesterday capped its return to robust health with a 20 per cent rise in its first quarter dividend to 2.5 pence a share. It was the first such increase since 1992, when structural weaknesses and mounting debt caused it to cut the payout to shareholders.

Investors welcomed the signal of confidence, and BP shares rose 16 1/2p to close at 399 1/2p.

Mr David Simon, chief executive, said the BP board was confident the company could operate profitably even with relatively low oil prices. "It was the right time to share some of the benefits" of BP's cost-cutting, he said.

The company warned investors not to expect the same pace of dividend growth, although it "intends to grow the dividend progressively".

The first quarter results exceeded analysts' expectations. Replacement cost net profits before exceptional items were £305m, 32 per cent up on the £231m in the first quarter of 1993.

Earnings per share were 5.6p (4.3p). After an exceptional gain of £23m (£18m a year earlier), net profits were £228m (£249m).

The company attributed the performance to success at cutting costs, higher production volumes and wider refining margins in the US. The chemicals division returned to profit after 18 months.

It was the third successive quarter in which BP was cash positive excluding proceeds from divestments. Net cash inflow excluding disposals was £242m, although the average North Sea oil price in the first quarter was

\$13.92, 25 per cent lower than in 1993.

Analysts say BP's ability to generate large amounts of cash at low oil prices probably persuaded the board it was safe to raise the dividend, even though the company has not met all the targets it set when it cut the dividend. These were: capital expenditure of \$5bn a year or less; annual debt reduction of \$1bn or more; and \$2bn in replacement cost profits.

Mr Simon said debt now stands at \$11.8bn (down \$393m in the quarter), its lowest level since 1988. About \$400m has been raised from disposals so far this year, with \$1bn-\$1.5bn expected for the full year. That would bring full-year gearing down to 65 per cent, according to company officials.

Lex, Page 16

Rise in demand helps Electrolux

By Christopher Brown-Humes in Stockholm

Electrolux, the world's leading producer of household appliances, yesterday announced a SKr668m (\$84m) profit after financial items for the first quarter following strong US demand and more stable conditions in Europe.

The result, which compares with a SKr122m profit in the same 1993 period, was ahead of expectations, taking the company's B share up SKr6 to SKr429.

The group, which has just finalised a DM730m (\$426m) agreement to buy AEG's household appliance division, said operating income rose 88 per cent to SKr1.06bn from SKr563m. Sales were up 11 per cent at SKr26.6bn, helped by a 7 per cent rise in volumes and favourable exchange rate movements.

Electrolux said operating income had improved in both Europe and North America, helped by restructuring and higher demand.

However it stressed that the European recovery was patchy, with stronger performances in the UK, Spain and the Nordic region being offset by weakness in Germany, France and Italy.

Household appliances, the biggest division, saw sales rise to SKr15.0bn from SKr13.5bn. Operating income for white goods was "substantially" higher in both Europe and the US, it said. Results from air conditioners, floor-care, sewing machines and compressors also improved.

The turnaround was flattered by the difficulties which Electrolux experienced in its North American and Spanish markets last year.

Restructuring and one-off charges reduced household appliance income by SKr300m in the first quarter of 1993.

Commercial appliances had a more difficult quarter, with sales rising marginally to SKr2.30bn from SKr2.29bn and operating income remaining static. Refrigeration and cleaning equipment both reported lower operating income, but industrial laundry equipment improved.

Outdoor products increased operating income as sales rose to SKr4.25bn from SKr3.95bn; there was also a better performance from industrial products where sales climbed to SKr5.05bn from SKr3.96bn.

Group net financial expenses fell to SKr391m from SKr441m, due to lower interest rates and a reduction in tied-up capital.

April 1994

ROGERS

Rogers Communications Inc.

has acquired substantially all of the common shares of

Maclean Hunter Limited

for approximately

\$3.1 billion

The undersigned acted as financial advisors to Rogers Communications

ROTHSCHILD CANADA LIMITED

ScotiaMcLeod

BURNS FRY LIMITED

INTERNATIONAL COMPANIES AND FINANCE

Barclays chiefs criticised by shareholders at AGM

By John Gapper, Banking Editor

Sir Denys Henderson, chairman of ICI and Zeneca, stepped into the breach to defend the chairman and chief executive of Barclays against attacks from hostile shareholders at the bank's annual general meeting yesterday.

Sir Denys, a non-executive director of the UK's biggest bank and chairman of its remuneration committee, praised the performances of Mr Andrew Buxton and Mr Martin Taylor amid heated criticism of the bank's directors.

Much of the antagonism at the two-and-a-half hour meeting came from members of a pressure group called the Struggle Against Financial Exploitation (Safe), founded by unhappy customers of Barclays who bought shares to attend.

There was strong criticism of

the bank for paying Mr David Band, chief executive of its BZW investment banking arm, £1.4m last year and for giving Mr Buxton a basic salary of £350,000 this year and Mr Taylor a package worth £737,500.

"We are talking very large telephone numbers, and I can understand why you might think they are excessive," said Sir Denys, who led last year's search for a chief executive.

Barclays appointed Mr Taylor, who became chief executive in January. "Of course he has got to earn it now. We will be looking very carefully, and I have no doubt that he will fully repay our confidence in him," said Sir Denys.

Sir Denys told shareholders that Mr Buxton, who split the roles of chairman and chief executive after Barclays lost £242m in 1992 had faced "a hell of a battering from people all over the place, and has done it

with courtesy and grace".

Mr Buxton was forced to demonstrate that courtesy under acrimonious attack yesterday, with shareholders employing a variety of colourful metaphors to emphasise their contempt for the bank's performance and treatment of customers.

One shareholder compared Barclays with a football team which had responded to relegation by recruiting "a synchronised swimming coach" in the form of Mr Taylor, a former chairman of Courtauld Textiles and ex-Financial Times journalist.

But Mr Buxton was praised by one shareholder, Mr Granville Whitehead, who told him he was "by far the handsomest man on the platform".

Mr Whitehead said that he had spent the meeting sketching Mr Buxton and the "ugly ducklings" around him.

Wassall shares gain with \$269.8m purchase

By David Wighton in London

Wassall, the UK conglomerate which lost the bid battle for Evedo last year, has clinched its first deal since 1991 with the \$269.8m acquisition of General Cable in the US. The proposed purchase is being partly funded by a \$92.2m (£139m) rights issue.

London investors, who have waited for Wassall to make its move, immediately gave their approval and the shares rose 18p to a new high of 320p.

The purchase of General Cable, which makes power, communications and consumer product cables, will more than double Wassall's turnover and increase US sales to more than three-quarters of the total.

Mr Chris Miller, chief executive, said: "We are consciously taking a bet on America." Mr Miller said General Cable was an ideal target for Wassall, as it had suffered from under-investment and performed poorly relative to its competition. It barely broke even on sales of \$763m (£510m) last year.

The main vendor is American Premier Underwriters, formerly The Penn Central Corporation, a financial services group which partly demerged General Cable in 1992. "It is just the sort of owner you like to buy from," said Mr Miller who described General Cable as "a corporate orphan".

The bulk of the consideration covers the purchase for \$169.8m, a 30 per cent discount, of a loan note issued by General Cable to its parent. Wassall is paying an additional \$34.5m for APUs 54 per cent of the ordinary shares and has made a \$38.1m tender offer for the remainder which are traded on Nasdaq.

Mr Paul Beaudry, an analyst at James Capel, said he expected the deal to be neutral at worst for Wassall's earnings this year and that next year there should be "significant enhancement".

On a pro forma basis the enlarged group would have had gearing of 18 per cent at the end of next year. The terms of the rights issue are one-for-four at 250p.

AMB ahead despite Spanish losses

By David Waller in Frankfurt

Aachener und Münchener Betalligungs (AMB), Germany's second-biggest insurance group after Allianz, reported net profits of DM85m (\$50m) for last year, up from DM73m.

The increase was achieved in spite of a sharp fall in operating profits from mainstream insurance activities. These fell to DM147m from DM288m. They were hit by a number of factors, including large losses at the two Spanish subsidiaries.

The group has been in the throes of an intense reorgani-

sation over the past year. The most important move was the sale of a majority interest in the ERG Bank to Crédit Lyonnais, the French bank, concluded at the end of 1992.

After years of losses, the group benefited from a special dividend of DM24.6m last year as part of the terms of the sale. Total unconsolidated premium income for the group was DM14.4bn, up 8.8 per cent. Pre-tax profits from continuing businesses fell to DM105.5m from DM111.3m, while the dividend for 1993 will be unchanged at DM14 a share.

AMB predicted that the 1994 result would at least match

1993, in spite of the long-awaited liberalisation of the German insurance market this summer.

The aim is to take premium income up to DM15.5bn in the current year.

Mr Wolfgang Kaske, chief executive, said the group had implemented a wide-ranging rationalisation ahead of the opening up of the domestic insurance market under European Union legislation on July 1.

He predicted competition would gradually increase in the German market over the next few years.

This would be reflected in

new products and pressure on prices, although he said the initial impact of the changes would be limited.

It has been tidying up its group structure, acquiring majority control of the numerous satellite companies in the AMB orbit.

For example, the group has taken its holding in Volksfur-sorge, a large German insurance company, to 75 per cent from 50 per cent.

AGF, the French insurance group, owns 33 per cent of AMB, balanced by a block of shares owned by large German institutions such as Dresdner Bank.

Turnround at Avesta Sheffield

By Christopher Brown-Humes in Stockholm

Avesta Sheffield, the Swedish-British stainless steel producer, yesterday struck an optimistic note about prospects in 1994 after a strong recovery in the first quarter.

The group, which is 40 per cent owned by British Steel, made a SKr111m (\$14m) profit after financial items, compared with a SKr43m loss in the same 1993 quarter. The loss for the whole of last year totalled SKr98m.

It said the performance had benefited from higher demand, cost-cutting and changes to inventory prices.

Mr Per Molin, president, said the improved profits level was

expected to be maintained over the rest of the year, against a background of general economic recovery in the western world.

He forecast a continued upturn in demand for the group's products, but warned it might not be at the same rate as in the first quarter because of restructuring.

He noted that prices were recovering but "they have not yet reached a satisfactory level and are still below 1993 average levels".

Demand for the group's main products, cold rolled sheet and plate, rose strongly in early 1994. Together with the weaker krona, the trend enabled the group to lift sales to SKr3.98bn from SKr3.49bn.

Sales of cold rolled sheet and plate rose to SKr2.04bn from SKr1.80bn but the division tumbled to a SKr18m loss from a SKr27m profit because prices were lower. A recovery is expected over the rest of the year.

The group's hot rolled plate division achieved a SKr45m profit after last year's SKr18m loss, as turnover climbed to SKr635m from SKr587m.

Avesta, which was formed in late 1992 from a merger between Avesta and the steel less steel interests of British Steel, recently approved a SKr592.5m rights issue.

It plans to invest more than SKr1bn over the next three years.

that it is interested in buying a large stake in Creditanstalt, which S&P rates A-1, from the Austrian government.

Groupe Bull talks to potential partners

Groupe Bull, the French computer group, is running at least five sets of talks with potential industrial and technological partners and will probably announce partnerships in the next few months, Mr Jean-Marie Descarpentries, chairman said, Reuter reports from Paris.

"In coming months we will probably announce a confirmation of our partnerships with NEC and IBM but also with other enterprises," he said.

Philips agrees to buy AEG lighting unit

By Ronald van de Krol in Amsterdam

Philips, the Dutch electronics manufacturer which and the world's largest producer of light bulbs, has agreed to buy AEG Lichttechnik, a lighting engineering company, from AEG of Germany.

The Dutch company declined to reveal the purchase price, but said AEG Lichttechnik was profitable and had generated sales of nearly DM300m (\$174m) last year.

"Philips Lighting considers the acquisition essential for its position in Scandinavia and in the main European lighting market, Germany," it said. The transaction reflects the desire of AEG, part of the Daimler-Benz group, to concentrate on its core electronics activities.

AEG Lichttechnik, which focuses mainly on professional lighting equipment, has a plant near Hanover in Germany and a subsidiary in Finland, Idman Oy, which operates a factory in Mantala.

The company has a total workforce of 1,200. Philips said the AEG business would continue to use its own brand names and would operate in parallel with the Dutch company's own lighting sector.

Lighting is Philips' most profitable business. The sector posted an operating profit margin of 13 per cent in the 1994 first quarter.

Bank of Scotland doubles pre-tax profits for year

By John Gapper, Banking Editor

Bank of Scotland yesterday affirmed its interest in buying a building society to improve its deposit base, as it disclosed it had more than doubled annual pre-tax profits, to £268.7m (\$404m) against £126.3m last time.

Mr Bruce Patullo, governor, said it was among banks examining the possibility of buying a society. However, it was not involved in discussions at the moment, and was unsure about the benefits of a purchase.

Mr Patullo said that in contrast to Lloyds' proposed £1.8bn purchase of Cheltenham & Gloucester Building Society, the bank believed the main advantage would be the strengthening of its balance sheet through increased deposits.

The bank, which a year ago set a target limit of 5 per cent asset growth for the year to February 28 to maintain capital ratios, said assets had grown by 6 per cent as it

expanded its market share of bank lending.

Operating profits before provisions for bad and doubtful debts rose 19 per cent to £80.2m, against £67.9m. The specific provisions charge fell 22 per cent to £283.8m, which Mr Patullo said was "less than we would have liked".

General provisions for anticipated bad debts which have not been identified were increased by £30.1m, including a £20.1m charge. Mr Patullo said this was for reasons of prudence, and "not in order to smooth profits".

The main upset was at its Bank of Wales subsidiary, which recorded a pre-tax loss of £4.8m because of problems at its motor finance arm. Mr Patullo said it had found further bad debts after changing provisioning methods.

Margins rose, helped by a £500m increase, to £5.4bn, in its mortgage portfolio, and more high-margin personal lending. The bank's liabilities were strengthened by a rise in funds held in customer accounts for

the first time in eight years.

Fee and commission income, an area in which the bank has been regarded as weak, increased by 15 per cent to £282.6m. Some £147m of this came from fees and commissions income from branches, which rose 52 per cent.

The tier 1 ratio of core capital to risk-weighted assets remained at 5.8 per cent in spite of the asset growth, and a 10.5 per cent increase in the dividend to 5.06p, against 4.57p. This figure includes a proposed final dividend of 3.18p.

Operating costs rose 4 per cent to £361.7m, against £346.1m, although the ratio of costs to income fell to 48.6 per cent from 50.6 per cent. Staff numbers have fallen 10 per cent from their 1989 peak through natural wastage.

Mr Patullo said internal generation of capital meant the bank would be able "comfortably" to finance asset growth of up to 10 per cent this year. In London, the bank's shares closed 5p up at 188p.

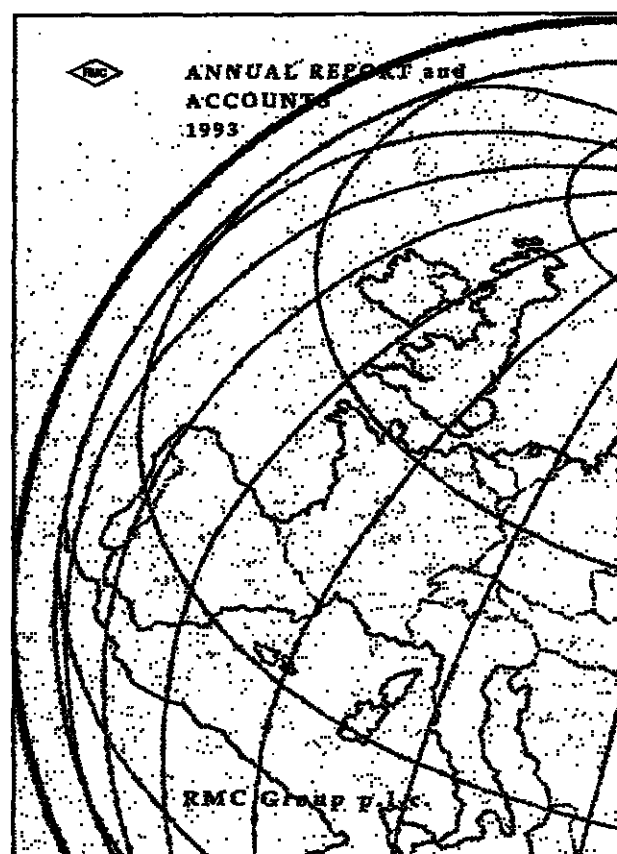
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Annual Results 1993 Bank Austria

Financial Highlights for the year ended 31st December

	1993	1992
	In ATS billion	
Partial operating profit	4.2	2.1
Gross operating profit	6.0	3.4
Dividend	8%	10%
Primary funds	333	322
Total Assets	573	545

Copies of the annual report may be obtained from Bank Austria Publications Department, Am Hof 2, A-1010 Vienna. Fax (1) 53124-113.



SUMMARY OF GROUP RESULTS

	1993	1992
TURNOVER	£3,507.9m	£3,443.3m
PROFIT BEFORE INTEREST	£217.7m	£201.0m
PROFIT BEFORE TAXATION	£177.8m	£166.4m
EARNINGS PER SHARE	39.4p	31.2p
DIVIDENDS PER SHARE	21.0p	20.0p

RMC

RMC Group p.l.c.

RMC House, Coldharbour Lane, Thorpe, Egham, Surrey TW20 8TD

Operating internationally in Austria, Belgium, Czech Republic, Denmark, France, Germany, Hungary, Israel, Netherlands, Portugal, Republic of Ireland, Spain, United Kingdom and the USA.

"The Group's performance during the year reflected more stable conditions in the United Kingdom economy and first evidence of a slow emergence from deep recession. Germany once again produced excellent results and was the major contributor to Group profits. Other continental operations continue to reflect the recessionary conditions of 1993 but some recovery is expected during 1994. Outside Europe, there are good prospects in the economic recovery on the east coast of America and in the growing Israeli market."

From the Statement of the Chairman, Jim Owen

If you would like a copy of the 1993 Annual Report please write to:

The Secretary, RMC Group p.l.c., RMC House, Coldharbour Lane, Thorpe, Egham, Surrey, TW20 8TD.

The Annual General Meeting will be held at the Four Seasons Hotel (formerly the Inn on the Park), Hamilton Place, Park Lane, London W1, on 27th May 1994 at 11.30 am.

INTERNATIONAL COMPANIES AND FINANCE

US carrier posts \$71.6m deficit in first quarter

By Richard Tomkins
in New York

Continental Airlines, the Texas-based carrier that emerged from its second bankruptcy in April last year, yesterday reported a net loss of \$71.6m for the first quarter.

It blamed the effects of an exceptionally severe winter on its operations in the north-east US and teething troubles associated with the rapid expansion of its low-cost, no-frills services on short-haul routes.

The loss appeared to mark an improvement on the net loss of \$107.9m in last year's first quarter, but the previous year's figures are not strictly comparable because the company was recapitalised when it emerged from bankruptcy.

A better indicator was the performance at the operating level, where operating losses were unchanged at \$55.2m.

This was in sharp contrast with last year's fourth quarter when the company reported operating profit of \$8.5m, compared with operating losses of \$43.7m the previous time.

Most other US airlines have

reported first-quarter losses this year because of bad winter weather or low-fare competition, but most have improved their performance from last year because of a slight increase in revenues and a big fall in fuel costs.

Continental's revenues were unchanged at \$1.4bn, and nearly all the reduction in net losses was attributable to a tax credit of \$42.8m.

Fully diluted loss per share was \$2.56.

Mr Robert Ferguson, chief executive, said the severe winter had cost the airline an estimated \$28m in lost revenues. That and teething troubles with the expansion of its low-cost flights had caused the proportion of scheduled services completed to fall to 95.3 per cent from 98.3 per cent.

Mr Ferguson said the operational problems had been mostly corrected and the company had achieved a significant operating and bottom-line profit in March.

He said the low-cost operation - dubbed CALite - was exceeding its financial targets and Continental was "ever more confident" of its success.

Jefferson Smurfit prices US offer at \$13

By Deborah Hargreaves

Jefferson Smurfit, the Irish paper and packaging group, yesterday priced an initial public offering of 19.25m shares in its US division at \$13. The company also offered \$400m of senior notes in Contender Corporation, which is owned by its US arm.

The equity offering is part of a \$2bn refinancing plan for Jefferson Smurfit Corporation in the US, which is partly owned by two equity funds run by Morgan Stanley, the US investment bank.

Mr Michael Smurfit, chairman of the Irish group, said he was pleased the company had achieved the offering "despite extremely difficult and volatile markets".

In addition to the 19.25m shares to be sold to the public, a unit of the parent Jefferson Smurfit group will also buy 11.54m shares at the same price as the public offering.

The remainder of the refinancing comes from a bank facility of \$1.65bn, of which a \$900m loan will be delayed until December. That loan will be used by the company to redeem \$844m of junk bonds which date back to 1989.

The refinancing will save the US company \$68.2m a year in interest payments on its debt burden, which is largely made up of junk bonds. The US company has struggled under high interest payments and weak paper and packaging markets, pushing it into the red in the past three years.

However, company officials say the market is on the upturn again with prices for liner board - its main product - increasing by \$5 a tonne over the past five months and another price rise scheduled for June. The price increases will add \$10m a year to the company's bottom line.

Norwegian insurer suffers steep fall

Vital, the Norwegian life insurance and pension group, suffered a fall in first-quarter pre-tax profits to Nkr63m (\$8.7m) from Nkr812m, writes Karen Fosell in Oslo.

Profits were hit by a reduction in the value of the group's bond portfolio following a rise in interest rates.

Wall St awaits a takeover's demise

The \$8bn Viacom-Blockbuster deal is fading, writes Martin Dickson

Dead, but just not buried.

That was the epithet pronounced this week by one Wall Street analyst on the proposed \$8bn takeover of video retailer Blockbuster Entertainment by Viacom, the film, television and publishing group. The takeover was announced at the start of this year as part of Viacom's successful bid for Paramount Communications.

Neither Viacom nor Blockbuster is acknowledging the deal is off, and the merger agreement gives them until the end of September to consummate the marriage.

However, it is hard to find anyone on Wall Street who thinks the deal will go through in anything like its present form, and there are indications the two sides are discussing various forms of co-operation short of a merger.

In a letter to shareholders this week, Mr Wayne Huizenga, Blockbuster chairman, said there could be no assurance its board would be able to recommend a deal.

Formal or not, the ending of the engagement has significant implications for both parties. For Viacom, it increases pressure to sell off assets acquired when it took over Paramount. For Blockbuster, it creates question marks over the group's strategy, and makes it a potential takeover target for another media company.

The death knell has been sounding for the deal ever since Viacom took over Paramount in March, as victory sharply depressed the price of



Wayne Huizenga: no assurances of board backing

Viacom stock. Investors feared the company had overpaid for the film and publishing group, and burdened itself with too much debt.

That in turn endangered the Blockbuster deal, for Viacom proposes paying for the video retailer in stock: 0.05 of a share of Class A stock and 0.005 of a share of non-voting class B stock for each Blockbuster share. Blockbuster shareholders would also get limited protection against poor Viacom share-price performance - an award of up to 0.13829 of a share on the first anniversary of the consummation of the merger.

However, based on Viacom stock's trading price yesterday, that package would give Blockbuster shareholders only 21% a share, 39% a share less than the level at which Blockbuster shares were trading before January's announcement. Block-

buster shareholders are hardly likely to accept such a deal. This is reflected in that the company's shares are trading substantially higher than the bid terms, at around \$28.

The two sides could try to restructure the deal, but there are no signs of Viacom being prepared to do so.

Instead, the companies appear to be discussing a more limited form of co-operation, such as renaming Viacom's Showtime cable television film channel "The Blockbuster Channel", and possibly using it as an outlet for movies made by Blockbuster's Spelling Entertainment/Republic Pictures Hollywood film unit.

For Viacom, the main attraction of the marriage with Blockbuster was always financial. As part of the merger deal, Blockbuster agreed to make a \$1.25bn investment in

Video group to develop \$1bn park

Blockbuster Entertainment yesterday said it was forming a Blockbuster Park division as part of the group's transformation from a video rental company to a full-scale entertainment conglomerate, writes Richard Tomkins.

The division's first project will be the development of the \$1bn Blockbuster Park, a sports and entertainment complex that the group wants to build on a 2,500-acre site near Fort Lauderdale in Florida.

If the project goes ahead, one function of the complex will be to serve as a home to two sports teams owned by Mr Wayne Huizenga, Blockbuster's chairman - the Florida Panthers, an ice hockey team, and the Florida Marlins, a baseball team.

At one end of the complex will be a 20,000-seat hockey arena for the Panthers and at the other a 45,000 to 50,000-seat baseball stadium for the Marlins. In between an entertainment village will feature restaurants, shops and a theme park.

Broadcast facilities, a film and television production studio, a 15- to 20-screen cinema, virtual reality entertainment, a sports museum, a golf course and a hotel are also planned for the site.

Blockbuster already owns 1,800 acres of the site - mainly scrubby marshland straddling the Broward and Dade county lines. However, the project has to overcome environmental objections and win approval from the planning authorities before it can go ahead.

Brazil's biggest airline cuts costs

By Angus Foster
in São Paulo

Varig, Brazil's largest airline, yesterday announced a series of cost-cutting measures in the face of continuing financial difficulties.

Varig hopes the measures, the latest of its restructuring moves, will lead to monthly savings of up to \$2m.

The company, which has not made a profit since 1989, said that it would seek to reduce its 24,000 workforce by up to 10 per cent.

Staff numbers have already been cut from 29,000 under previous restructurings.

Varig also intends to reduce its regional network in Brazil.

In March, the company suspended lease payments on 50 aircraft for two months in order to renegotiate its leases,

which it thought too expensive.

Varig said the payment suspension, due to expire later this month, had the backing of its main Brazilian lending banks.

The banks wanted to see a reduction in the company's annual lease costs of \$500m, negotiated before the downturn in the airline industry.

Varig, which is privately owned, made losses of \$97m in the year to December 31. The company's main problems remain the still-depressed Brazilian market and a stubbornly high cost base.

Other recent attempts to reduce costs have included a reduction in fleet size and efforts to lift operational efficiency, which the company said could lead to annual savings of \$30m.

Travel agent finds tax 'discrepancies'

By Ian Rodger and Andrew Jack

Reisebüro Kuoni, the Swiss travel agency group, is in discussions with the UK Inland Revenue about "discrepancies" dating back to the late 1970s.

Mr Peter Oes, chief executive, said yesterday he expected the investigations to be completed by the autumn.

The company is believed to have approached the Inland Revenue and launched its own investigation using an external auditor after discovering the tax problems.

A spokesman for Kuoni said no provision had been made

for the charge in its 1993 accounts, and any additional tax payments would be shown in the 1994 results.

He said the company would probably announce the amount as soon as the investigation was complete, especially if it would have a material effect on the year's results.

Mr Oes forecast that net income this year would reach a record. Net income last year slipped to Sfr44.7m (\$30.6m) from Sfr49.9m in 1992.

Kuoni is one of Europe's largest agents with revenues last year of Sfr2.4bn. Domestic business accounts for nearly half of company revenue.

Improved prices help to lift profit at SSAB

Firm prices and increased volumes helped SSAB, the Swedish steel group, lift first-quarter pre-tax profits sharply, to SKr478m (\$62.9m) from SKr232m, writes Christopher Brown-Humes.

It says profits for the full year could be nearly twice last year's SKr776m, provided current market trends continue.

The group, one of Europe's few profitable steelmakers, noted that supply and demand in western Europe had improved during the spring.

"This should improve chances for certain price increases during the second half of the year," it said.

Ares-Serono sells its diagnostics division

By Ian Rodger in Zurich

Ares-Serono, the Geneva-based leader in human fertility drugs, is selling its diagnostics division to BioChem Pharma of Montreal for \$44m in cash and \$21m in notes.

The group is developing biotechnology-based drugs for treating infertility and multiple sclerosis.

It plans to invest Sfr300m (\$208m) in expanding production facilities in Switzerland.

The deal is the latest in a series of transactions this week that illustrates a fresh drive by pharmaceutical companies to focus resources on their most

competitive businesses. Earlier this week Roche, the Swiss group, took over Syntex of the US for \$6.3bn.

The Anglo-US drugs group SmithKline Beecham announced it would buy Diversified Pharmaceutical Services, a US drug distribution group, for \$2.3bn, while Eastman Kodak put its three healthcare divisions up for sale.

Ares-Serono's diagnostics division was established in the 1970s and was boosted substantially with the purchase of Baker Instruments of the US in 1988. It had sales of \$85.3m last year, 12 per cent of the group total.

DSM invites its shareholders to the Annual General Meeting

The DSM Annual General Meeting will be held at the company's head office at Het Overloon 1, Heerlen (Netherlands) on Monday, May 30, 1994, at 14.00. The agenda with notes and the annual report can be obtained free of charge from the company's head office and from the following banks:

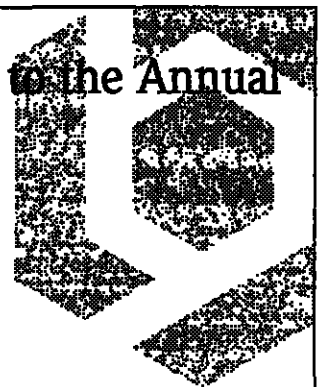
United Kingdom: S.G. Warburg & Co. Ltd., London
Netherlands: ABN AMRO Bank NV, Amsterdam

Shareholders who wish to attend the meeting should deposit their shares with one of the above-mentioned banks, not later than Wednesday, May 25, 1994, against a receipt entitling the holder to attend the meeting. Identification should be made available upon request. The above also applies to those who derive the right to attend the meeting from their rights of usufruct or lien on shares.

Heerlen, May 6, 1994
The Managing Board



DSM N.V., P.O. Box 6500, 6401 JH Heerlen (Netherlands), tel. (31) 45 782371, fax (31) 45 740455.



DSM is an international chemicals and materials group with its head office in Heerlen (Netherlands). The company currently has annual sales of around \$18 billion and employs about 21,000 people. DSM's activities have been organized into nine divisions: Hydrocarbons, Polymers, Elastomers, Chemicals & Fertilizers, Fine Chemicals, Resins, Plastic Products, Engineering Plastic Products and Energy. DSM shares are listed on the stock exchanges of Amsterdam, Düsseldorf, Frankfurt, Rome, Geneva and Zürich and are traded on SEAG Inc. In London, in the USA, DSM has established an ADR program via the Bank of New York.

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6 May 1994

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GENERALE
SOCIETE GENERALE DE BELGIOUE
Société Anonyme

Incorporated in Brussels by Royal Decree dated 26 August 1822
Registered Office: 30 rue Royale, 1000 Brussels
Trade Register Number: Brussels 17487

The Board of Directors is pleased to invite shareholders to assemble at the Company's registered office, rue Royale 30, Brussels on Wednesday 18 May 1994 at 10.30 am for the ordinary general meeting, in accordance with the terms of Article 22 of the Memorandum and Articles of Association, to vote on the following agenda:

AGENDA

- Board of Directors' special report and Auditors' report, drawn up for cases of duality of interest.
- Board of Directors and Auditors' reports for the 1993 financial year.
- Approval of the Company's annual accounts:
Proposal to approve the annual accounts as at 31 December 1993, including the distribution of a net dividend of BEF 85 to non-AFV shares and of BEF 88.50 to AFV shares.
- Discharge to members of the Board of Directors and to the Auditors:
Proposals to discharge members of the Board of Directors and the Auditors from performance of their functions during the 1993 financial year.
- Elections according to the Memorandum and Articles of Association:
Proposal to elect Messrs Joseph KINSCH and Philippe LIOTIER and re-elect Messrs Philippe BODSON, Alain CHAIGNEAU, Valère CROES, Etienne DAVIGNON, Jean-Claude DESOYRE, François de LAGE DE MEUX, Bernard GLOFF, Jean GANDON, Maurice LIPPENS, Philippe MALET, Gérard MESTRALLET, Xavier MORENO, Patrick PONSOLLE, Piet VAN WAÏYENBERGE, Karel VINCK and Gérard WORMS, as directors.

at the end of said meeting for the extraordinary general meeting to vote on the following agenda:

AGENDA

- Capital increase:
Proposal to increase the capital by incorporating the sum of BEF 5,357,138,422 to be withdrawn from the "share premium" account.
- Creation of new "parts de réserve" shares:
Proposal to create, to represent to above-mentioned capital increase, 6,418,279 new fully paid "parts de réserve" shares, with the same rights and benefits as the existing non-AFV "parts de réserve" shares, as from 1 January 1994.
- Allotment:
Proposal to allot the new "parts de réserve" shares to the shareholders in the proportion one new "part de réserve" share for ten old ones.
- Acknowledgement:
Proposal to acknowledge the effective carrying out of the capital increase.
- First amendment to the Memorandum and Articles of Association:
Proposals to amend Article 3 of the Memorandum and Articles of Association in accordance with the new capital situation.
- Special report by the Board of Directors explaining the purpose of and reasons behind the proposal mentioned item 7 below.
- Waiver of the benefits assigned to AFV "parts de réserve" shares:
Proposal to irrevocably waive transferring to the income allocated as from 1 January 1995 to AFV "parts de réserve" shares:
- the tax saving resulting from the exemption allowed under corporate tax;
- the additional income (if any) resulting from the exemption in question which might apply to participated directly or indirectly.
- Second amendment to the Memorandum and Articles of Association:
Proposal to abolish the temporary provisions in paragraphs 5 to 7 of Article 8 of the Memorandum and Articles of Association to bring it in line with the resolution to be adopted on the preceding item.
- Powers:
Proposal to grant the Board of Directors all powers required to carry out the resolutions adopted.

In order to attend these meetings, shareholders should, in accordance with the terms of Article 19 of the Memorandum and Articles of Association, deposit their shares at the Company's registered office by Tuesday 10 May 1994 at the latest, or at one of the following banks:

In Belgium:	Generale Bank Banque Indosuez Belgique
In France:	Banque Indosuez
In Luxembourg:	Banque Générale du Luxembourg
In Switzerland:	Crédit Suisse Société de Banque Suisse Union de Banques Suisses
In Germany:	Deutsche Bank Generale Bank & Co

Without prejudice to the terms of Article 74, §2, par 2 and §3 of the coordinated laws on commercial companies, shareholders who wish to be represented should use the form of proxy which is available on request. All proxies should reach the company's registered office as soon as possible and by Monday 16 May 1994 at the very latest, which date was laid down by the Board of Directors in accordance with the terms of Article 20 of the Memorandum and Articles of Association.

G. MESTRALLET - Chief Executive Manager E. DAVIGNON - Chairman

Brussels, 27 April 1994

INTERNATIONAL COMPANIES AND FINANCE

Fighting fit and looking for aerospace deals

McDonnell Douglas is emerging from a harsh restructuring with its focus sharpened, writes Paul Betts

McDonnell Douglas, the US aerospace and defence group, has been building up financial muscle. It wants to put itself in a good position to take advantage of investment and acquisition opportunities for its core aerospace business.

"We have conducted an overall analysis of our industry and identified areas of business where an acquisition would make sense," Mr John McDonnell, chairman, said.

The company was considering internal investments to expand core businesses, as well as acquisitions "if an opportunity comes along at a reasonable price".

However, Mr McDonnell said that it was not seeking to make a hostile takeover bid.

In particular, it was interested in expanding its helicopter business and satellite launch activities, Mr McDonnell said.

Barely two years ago, the US company had planned to shed its helicopter activities as part of its restructuring and recovery programme. However, Mr McDonnell said it had now decided to keep this business and expand it.

He stressed, however, that the company was no longer interested in diversifying, and wanted instead to concentrate

on strengthening its core aerospace businesses. "We've learnt our lesson. In the late 1980s, I was the prime advocate of diversification in the company: now I'm the prime advocate for aerospace," he said.

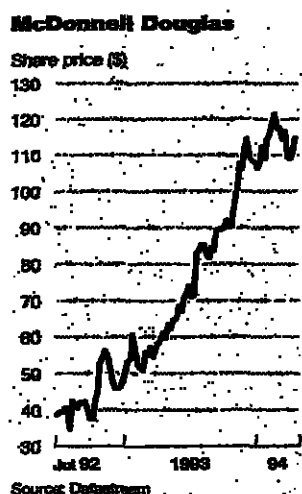
The company's sweeping restructuring programme, which has reduced the workforce from 135,000 in 1990 to 67,000 at the end of the latest quarter, has given the group a strong capital structure.

A 20 per cent increase in first-quarter operating earnings, to \$359m compared with \$315m in the same period last year, continued to help reduce debt.

"We reduced net debt by more than \$400m in the first quarter, and our net debt-to-equity ratio is now down to 0.36, which is one of the lowest in the industry - lower than that of our principal competitors, including Lockheed and Martin Marietta," he said.

The company's strong recovery has been reflected in a leap in the share price, from about \$48 at the end of 1992 to around \$120 this year.

Mr McDonnell said the outlook for the military aircraft business remained good. However, with continuing pressure on government defence budgets, he expected "a reasonably



stable" market rather than growth.

The big challenge for the company's military aircraft business remains the troubled C-17 large transport aircraft programme.

The company reached a settlement with the US government at the end of last year over the Pentagon's purchase of an initial batch of 40 aircraft.

Under the settlement, McDonnell Douglas has been placed on a two-year probation while it makes technical and managerial improvements to



John McDonnell: 'We've learnt our lesson'

the programme. The agreement is estimated to have cost the US government \$348m and McDonnell Douglas \$454m.

"This gives us until the end of 1995 to demonstrate we can deliver the aircraft on time, on spec, with high quality and at an affordable cost. If we do, it could lead to a programme of as much as 120 aircraft for the US Air Force and potential overseas sales to the UK and other countries, as well as some modest sales in the commercial market," Mr McDonnell said.

However, if the C-17 failed to

meet the programme targets and the Pentagon cancelled it, the cost to McDonnell Douglas would be about \$20m in lost sales a year during the next decade. "This programme will account for about 30 per cent of our government business in the next decade," Mr McDonnell said.

Although the company is trailing Boeing and the European Airbus consortium in the commercial aircraft field, its prospects have been boosted by Saudi Arabia's decision to buy up to \$6.2bn worth of airliners for Saudia, its

national carrier, from Boeing and McDonnell Douglas.

Mr McDonnell said Saudia was expected to complete its analysis of its fleet renewal and expansion needs "in the next month or two", and the company was hoping to win a "significant slice" of the order. It is offering its MD-11 three-engine airliner as well as the narrow-bodied MD-80 and MD-90 aircraft.

Mr McDonnell conceded that the world airline industry was continuing to have "a hell of a time", but he expected the airline market to bottom this year.

"I do see signs that we are coming out of the depression. I've been through three cycles. People have speculated that we would go out of the commercial business. It hasn't happened yet and it won't happen in this cycle," he said.

The company intended to remain in its two niche markets in the commercial business, with its MD-11 wide-bodied and MD-80, MD-90 and the planned MD-95 narrow-bodied airliners.

However, Mr McDonnell said he had not abandoned the idea of forging an international alliance for the commercial aircraft business, with foreign partners acquiring up to 49 per cent of it.

First-quarter improvement at Dyno Industrier

By Karen Fossil in Oslo

Dyno Industrier, the Norwegian chemicals, explosives and plastics group, yesterday reported a sharp rise in first-quarter pre-tax profit to Nkr130m (\$18m) from Nkr75m, helped by increased demand for higher volumes.

Dyno expects the positive development to continue throughout the year, helped by the emerging economic recovery in European markets and a slight increase in coal production in North America, which will contribute positively to explosives activities.

First-quarter sales rose to Nkr2.66bn from Nkr1.91bn, boosted by a combination of growth in volumes, the stronger dollar and higher prices for a number of raw materials. Operating profit increased to Nkr147m from Nkr114m.

Dyno warned, however, that increasing prices for the

group's most important raw materials purchases could create pressure on margins for the remainder of the year.

Varid, the troubled Norwegian cruise and ferry group, has cut first-quarter pre-tax losses by more than half to Nkr57.3m from Nkr127.8m.

The result was better than analysts had expected. Vard said the improvement was due to increased passenger volume for its ferries and reduced shore-side expenses and higher turnover for its cruise division. Operating revenue rose to Nkr1.5bn from Nkr1.6bn. Operating expenses increased to Nkr1.55bn from Nkr1.44bn, leaving operating profit up to Nkr96.7m from Nkr11.0m.

Financial items charged against first-quarter accounts increased to Nkr133.55m from Nkr138.41m partly as a result of a rise in interest expenses to Nkr182m from Nkr130m in the same period last year.

Canadian Pacific in rail merger talks

By Robert Gibbons in Montreal

Canadian Pacific plans to reach agreement with the federally-owned Canadian National Railways (CN) for a merger of their eastern Canada railway systems late this month, said Mr William Stinson, CP's chairman.

The deal could take effect from January 1 1996. Both sides believe the merger is the only way to deal with overcapacity in eastern Canada and federal officials support the strategy, Mr Stinson said after CP's annual meeting in Calgary.

"Overcapacity is draining hundreds of millions of dollars yearly from both railways," he said.

"Trade routes have shifted more north-south and we have hundreds of miles of non-profitable track."

CP's western rail system, which has been expanded to carry rising volumes of export wheat and other commodities, is profitable and would not be part of the merger. A new company 50-50 owned by CP and CN would operate the eastern system from Manitoba to the Maritimes.

"CP Rail's results must be brought into line with those of the best US railroads," said Mr Stinson.

CP has sold assets to concentrate on rail and sea transport, oil and gas, coal, hotels and property.

CP's first-quarter profit was \$17.2m, or 5 cents a share, after a \$7m special charge, against \$21.7m, or 7 cents, after a special gain of \$28.5m a year earlier.

Revenues were \$1.6bn, against \$1.47bn. Operating income gained 45 per cent to \$224m.

Fall at Aga fails to mar full-year outlook

By Christopher Brown-Humes in Stockholm

Aga, the Swedish industrial gas group, is sticking to a forecast of higher profits this year, in spite of a slight weakening in its first-quarter performance.

Income after financial items eased to SKr401m (\$52.7m) from SKr415m. Operating income was also lower at SKr366m, compared with SKr392m, although sales rose 4 per cent to SKr3.87bn.

The group recently announced plans to spin off Frigoscandia, the world's leading cold storage chain, and obtain a separate listing for the company. The move is in line with its long-term strategy of

concentrating on industrial and medical gases.

Pro-forma figures showed that gas operations achieved a SKr404m profit in the first three months, on sales of SKr2.96bn. In the same period of 1993, profit was SKr416m on sales of SKr2.73bn.

Most of the group's gas operations recorded higher operating income. This was attributed to improving economic conditions in the US and Nordic region. The European continent remained weak, however.

Frigoscandia had a slightly higher loss, of SKr3m compared with SKr1m, in what is always a weak period. The company's sales dropped 6 per cent to SKr924m.

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code: DWS (6disc)
code: DWL (10disc)

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This is such a handy little item you will wonder why you have not used one before. A small black leather wallet which contains a detachable solar powered calculator on one side and an FT pink jotter pad on the other. Included is a matching black and gilt ballpoint pen. Now you can note and jot down calculations wherever you are. Includes two inside pockets for your notes.



Size: 82mm x 110mm x 5mm.

code: JC

The FT Conference Folder

Crafted from one piece of leather and lined with FT pink moiré silk, the FT lockable conference folder contains a brass ring binder for holding your papers securely. A4 note pad and a small jotter pad. There are loops for pens and different sized pockets for papers and business cards so everything is kept neatly together. Supplied with a key. Refills for the A4 note pad and jotter are readily available.

Size: 320mm x 254mm x 32mm.

code: CFL

The FT Billfold Wallet

This very practical wallet is made from supple soft black leather and fits easily into a jacket or hip pocket. Inside, there are two full length pockets to hold bank notes and a secure pocket for loose change or keys. It is also the perfect size for business cards. There are spaces for 5 credit cards and a see-through pocket for an ID photo card.

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code: BFW

The FT Travel Organiser

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The FT Travel Organiser is the solution. It keeps all your travel documents safely and efficiently close to hand.

Made from rich black leather it has pockets for your passport and boarding card and a detachable section for your traveller's cheques. There are pockets for your currency and even detachable zipped pockets for your loose change plus further pockets for receipts and notes. (No gilt corner guards on this item.)

Size: 232mm x 127mm x 15mm.

code: TOL

The FT Document Case

Slim, lightweight, very elegant and practical, this document case is easier to take around on your travels than a briefcase. It has gusseted sides and holds A4 size documents. It is lockable and is supplied with a key. If you travel with an over-loaded briefcase this is a great way of keeping things in order - simply separate the items you need for your next meeting, put them in the document case and you are ready to go!

Size: 335mm x 240mm x 5mm.

code: DCL

The FT Business Card Holder

This is a super black leather desk accessory that you can leave back at the office when you are travelling but one you will want to use the moment you return. An executive's business card holder with a capacity to hold up to sixty cards, in see-through plastic pockets.

Size: 135mm x 213mm x 10mm.

code: BCH

The FT Jotter Wallet

An exceptionally slim black leather wallet which holds a loose-leaf jotter pad. It slips easily into a pocket and is ideal for jotting down notes when you are out and about.

Behind the jotter pad is a full-length pocket which is just the right size for banknotes, tickets and receipts. Refills for the FT-pink jotter pad are readily available.

Size: 173mm x 93mm.

code: J

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10 Disc Wallet	DWL	£29.24	£33.28		
Jotter/Calculator Wallet	JC	£20.35	£23.03		
Conference Folder	CFL	£22.88	£26.47		
Billfold Wallet	BFW	£20.15	£23.21		
Travel Organiser	TOL	£27.27	£30.45		
Document Case	DCL	£28.13	£32.17		
Business Card Holder	BCH	£21.84	£25.17		
Jotter Wallet	J	£12.41	£14.57		
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DIVIDEND NOTICE

PLACER DOME INC.

Notice is hereby given that a regular quarterly dividend, being Dividend No. 28 of six and one-half cents (6 1/2¢) U.S. per Common Share, has been declared payable on June 27, 1994 to shareholders of record at the close of business on May 27, 1994.

Shareholders with addresses in Canada or Australia will be paid the equivalent amount in the currency of their respective countries.

BY ORDER OF THE BOARD
John A. Eckersley
Vice-President,
Secretary and
General Counsel

April 28, 1994

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KEMPER STOCKHOLDERS BEWARE

GENERAL ELECTRIC HAS FINALLY DISPLAYED ITS TRUE COLORS!!

GE has tried to insist all along that the GE slate was nominated solely to serve your interests as Kemper stockholders. But GE's threat to withdraw their proposal if GE doesn't get its way confirms that their nominees have only one agenda—to force the sale of Kemper at GE's inadequate \$55 price—and to serve only one master, General Electric, with its selfish objective of depriving you of Kemper's potential.

THINK ABOUT IT—WHO SHOULD YOU TRUST?

Kemper has consistently stated its confidence that Kemper's restructuring efforts will lead to values in excess of GE's hostile bid. We underscored our conviction with the pledge to you announced yesterday.

In contrast, GE apparently will say anything to get what it wants.

In March, GE's message was, "We are fully committed, as an institution, to proceeding with a transaction that could create maximum value for Kemper's employees, customers and shareholders."

Last week, GE's message was "We have the money available to pay for any price we agree to."

This week's message: \$55 or Nothing!

DO NOT BE BULLIED OR FOOLED

GE says Kemper stockholders must decide *now* if you want to sell your Company for the inadequate share price of \$55. Do you really want to force a sale at GE's low-ball price?

**The real issue is: Who Should Reap the Rewards of Kemper's Successful
Restructuring—General Electric or You?**

PLEASE SIGN, DATE AND MAIL THE WHITE PROXY CARD TODAY

IMPORTANT

Even if you have already returned the BLUE proxy card to General Electric Capital Corporation, you have every right to change your vote by completing, then signing, dating and returning, a **WHITE PROXY CARD**. Only your latest dated proxy card counts.

If your shares are held in "street name", only your bank or broker can vote your shares. Please contact the person responsible for your account and instruct him or her to vote the **WHITE PROXY CARD** as soon as possible.

If you have any questions or need further assistance in voting your shares, please call Kemper Corporation's proxy solicitor, **GEORGESON & COMPANY INC.** (toll free) at 1-800-223-2064.

INTERNATIONAL CAPITAL MARKETS

Treasury prices mixed despite a stronger dollar

By Frank McGurty in New York and Sara Webb in London

US Treasury prices were mixed yesterday morning, with the market gaining meagre support from a stronger dollar and data which suggested the chance of favourable news in today's pivotal employment report.

By midday, the benchmark 30-year government bond was 87 1/2 at 87 1/2, with the yield slipping to 7.519 per cent. At the short end, the two-year note edged a lower to 96 1/2, to yield 6.855 per cent.

The focus of attention was squarely on today's figures on April non-farm payrolls and the unemployment rate, which will give the market its first comprehensive reading on the strength of the economy in the early part of the second quarter.

Forecasts centre on a payroll increase of 170,000, and an unemployment rate of 6.5 per cent.

Yesterday's announcement of rising claims for unemployment benefit last week was marginally encouraging for fixed-rate investors, who are looking for indications of weak inflationary pressures. The good news was offset by the announcement that unit labour costs jumped 5 per cent in the first quarter.

Trading was largely confined to professional dealers, who were squaring their positions ahead of today's data. Improvement in the value of the dollar against the yen and D-mark was helpful in the early going, but most traders were content to remain on the sidelines.

Their overriding concern remained the likelihood of an imminent move by the Federal

Reserve to lift interest rates for the fourth time this year, perhaps as early as this morning.

The Spanish government bond market bounced back yesterday to end over a point higher, recovering part of the losses made in the previous two days.

GOVERNMENT BONDS

The market saw sharp declines of over a point on Tuesday and Wednesday as further news about the political corruption scandals triggered more selling, particularly by foreign investors.

Mr Felipe González, the Spanish prime minister, was forced to respond to political attacks about the recent scandals at a press conference.

Two of Mr González's ministers have resigned in recent days in connection with the scandals.

Meanwhile Mr Mariano Rubio, the former governor of the Bank of Spain, was arrested late on Wednesday and charged with tax fraud.

Yesterday saw some renewed buying interest in Spanish paper, inspired mainly by the realisation that Spanish 10-year yields were hovering close to 10 per cent, while the yield spread over 10-year German paper had widened out to well over 300 basis points.

"At close to 10 per cent yields, people felt there was relative value out there," said Mr Jouni Korkko, international economist at S.G. Warburg Securities.

The Spanish government bond futures contract quoted on Mef opened at 94.00 and

touched a low of 93.55 early in the session, before climbing steadily back up to a high of 95.67 and ending the day at 95.36.

The strength of the German economic recovery provided the main focus of attention in the German government bond market again, with some market participants wondering whether independent German economists are likely to revise their growth forecasts upwards again.

"The rise in unemployment was smaller than expected, and we continue to see signs that the German economy is recovering," said one analyst.

The Lifft bund futures contract opened at 94.39, fell to a low of 93.77, and then climbed back up to a high of 94.44, settling at 94.32.

Elsewhere in Europe, French government bond prices mostly followed bonds in the course of the day, despite a 10-basis-point cut in the intervention rate, from 5.70 per cent to 5.60 per cent.

Dealers said the Treasury's auction of stock yesterday was generally well-covered, but they were disappointed at the yields achieved. The Treasury sold \$1.18bn of 10-year stock with a 6.5 per cent coupon at an average yield of 7.09 per cent. The national futures contract opened at 119.48 and settled at 119.24.

UK gilts bounced back to end a point higher on the day, although dealers said the recovery in prices was technical. The gilt market will be focusing on the outcome of the local elections and the US data today.

ONGC sticks to Euro-issue plan

India's Oil and Natural Gas Corporation (ONGC) intends to go ahead with planned domestic and Euro-issues despite the decision earlier this week by Videsh Sanchar Nigam (VSNL), the telecommunications monopoly, to postpone its planned \$1bn Euro-issue, the company chairman said.

"We are going to place in the market shares valued at Rs200bn. Half of it will be in the domestic market and the rest in the international market," said Mr S.K. Manglik, ONGC's chairman.

State-owned ONGC, one of Asia's largest oil exploration firms, was converted into a public limited company on February 1. Formed in 1959, it employs 48,000 and has assets of Rs200bn.

The company made a record net profit of Rs200bn in 1993-94, a 153 per cent increase over the previous year. It produced 24.21m tonnes of crude during the year.

Mr Manglik said the com-

pany hoped to make its domestic issue around June or July.

"We are thinking of going in for the international GDR (Global Depositary Receipt issue) in the latter part of the year," he said.

"As of today, we have no intention of changing our plan but we will be alive to the environment and keep a watch," he said. "After all, who expected VSNL, which is a very good company, to bomb like this?"

The VSNL Euro-issue of GDRs, certificates representing domestic equity, was to have been priced on Tuesday after roadshows around the world.

However, the ambitious offering, riding on the back of India's economic liberalisation programme, fell victim to falling global interest in emerging markets after the US Federal Reserve Board raised interest rates.

ONGC sources said the domestic price for a share was expected to be fixed around Rs140 to Rs150.

ADB outlines 1995 funding strategies

The Asian Development Bank (ADB) may launch a global yen issue in 1995, and may also speed up the first bond issue in Taiwanese dollars this year as part of its new funding programme, a bank official said.

Mr Erkki Jappinen, the ADB's assistant treasurer, said the 55-member bank aimed to raise up to 20 per cent of its \$2.8bn funding target this year through the structured placement market.

"We have two new approaches to our funding strategy this year - issuing global bonds and the placement plan," he said in Nice, where the bank is holding its annual conference.

Bankers said the structured placement plan would bring the ADB into the rapidly-expanding market for issues involving options or swaps.

Hellenic Republic FRN meets strong demand

By Conner Middelmann

Greece's long-awaited D-Mark offering provided the highlight of another torrid day in the European markets.

As expected, the Hellenic Republic issued DM10m of seven-year floating-rate notes, with a call and a put option after five years.

INTERNATIONAL BONDS

Paying a coupon of six-months LIBOR plus 75 basis points, the notes were priced at a discount margin of 112 basis points over LIBOR at their 98.42 re-offer price. CS First Boston and Deutsche Bank were joint lead managers.

According to one of the leads, the issue met strong demand from German and Austrian investors who benefit from their countries' double-

taxation agreement with Greece. Some UK and east Asian demand was also reported.

Empress Distribuidora Sur (Edesur), an Argentinean utility distribution company, issued \$150m of two-year floating-rate notes paying a coupon of three-months LIBOR plus 35 basis points and carrying a call option in May and November 1995.

According to lead manager Chase Investment Bank, the deal met with healthy demand from investors keen on high-yielding short-term floating-rate paper.

Primary market activity is likely to remain subdued ahead of today's US April jobs data, and is expected to be further cramped by next Thursday's Ascension holiday in most parts of Europe.

However, there is some talk of further short-dated dollar deals as well as yen issues tar-

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book runner
Edesur	150	(5)	102.00P	May 1995	6.00P	-	Chase Investment Bank
Hellenic Republic	10m	(5)	98.42P	May 2001	0.35P	-	CSFB/Deutsche Bank

Final terms and non-callable unless stated. The yield spread (lower relevant government bond) at launch is supplied by the lead manager. Floating rate notes: R: fixed re-offer price; fees are shown at the re-offer level. A: Callable on 11/5/95 and 11/1/95 at par. B: 3-mth LIBOR + 3.50%. C: Callable and puttable on 10/5/99 at par and callable on coupon dates thereafter at par. D: 6-mth LIBOR + 4%.

get at Japanese investors when they return from the Golden Week holiday.

IBCA, the European rating agency, issued its first credit ratings for Depfa-Bank, Germany's largest mortgage bank. It awarded Depfa's insured Eurobonds a double-A rating and its mortgage bonds and government-guaranteed liabilities a triple-A rating.

Depfa commissioned the IBCA rating after receiving an unsolicited Aa3 Eurobond rating from Moody's in February. After Moody's disappointing

rating, "we are pleased about our double-A rating" from IBCA, said Mr Gerhard Bruckmann, chief financial officer.

Depfa's lending activities are substantially German-based, long-term and mostly to the public sector. Since the launch of its business in the mortgage market, the German mortgage bank's profits are low compared with those of the commercial banks. However, according to IBCA, the quality of its lending is higher.

Moreover, its profitability has improved over the last four

years, and this trend is continuing. Depfa has about DM600m in mortgage bonds and some DM50m in Eurobonds outstanding.

Standard & Poor's lowered its rating on the long-term debt of the Province of Newfoundland and Labrador to triple-B plus from single-A minus. The new rating is equivalent to Moody's Baa1 rating of the province, which was confirmed by the agency.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia	8.500	08/03	104.5400	-0.130	8.77	8.15	8.20
Belgium	7.250	04/04	98.3000	-0.020	7.50	7.47	7.15
Canada	6.500	08/04	97.8000	-0.300	8.35	7.85	8.22
Denmark	7.000	12/04	98.2000	-0.280	7.82	7.22	8.37
France	6.000	05/08	105.8750	-0.120	6.82	6.30	6.39
Germany	5.500	04/04	98.2000	-	7.05	6.74	6.48
Italy	6.000	09/03	98.1000	-0.500	8.57	8.51	8.29
Japan	6.000	01/04	95.5000	-0.090	8.14	8.32	8.32
Netherlands	4.500	05/03	-	-	3.98	3.84	3.26
Spain	5.750	01/04	92.7000	-	6.90	6.61	6.39
Sweden	10.000	10/03	104.8500	-0.550	8.71	8.25	8.01
UK Gilts	6.000	06/08	92.18	-0.92	7.77	7.48	7.17
US Treasury	6.750	11/04	90.13	-10/32	8.12	7.78	7.54
US Treasury	5.875	02/04	91.14	-12/32	7.10	6.85	7.01
US Treasury	6.250	03/23	87.45	-21/32	7.32	7.11	7.30
ECU (French Govt)	6.000	04/04	98.5400	-0.270	7.53	7.18	6.92
ECU (Spanish Govt)	6.000	04/04	98.5400	-0.270	7.53	7.18	6.92

Source: Reuters, New York mid-day.

* Gross including withholding tax at 12.5 per cent payable by nonresidents.

† Excludes interest on bonds, except as indicated.

Source: AMBS International

11. INTEREST

London closing. New York mid-day. US dollar mid-day. Yields are in percent. Prices are in dollars. US dollar mid-day. Yields are in percent. Prices are in dollars.

Source: M&I Securities

US INTEREST RATES

	1-month	3-month	6-month	9-month	1-year	2-year	3-year	5-year	10-year
Prime rate	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
90-day T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
2-year T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
3-year T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
5-year T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
10-year T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
30-year T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4

BOND FUTURES AND OPTIONS

FRANCE

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	118.48	118.24	-0.40	118.60	118.04	287,772	143,972
Jul	118.54	118.26	-0.44	118.58	118.12	5,224	15,533
Dec	117.64	117.36	-0.44	117.52	117.04	112	3,005

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Board's support likely for SA retailer's plan to inject up to £60m

B&J counter proposal expected

By Andrew Bolger

Pepkor, the South African retailer, is expected today to offer to inject up to £60m into B&J, which last month recommended acceptance of a rescue deal with the Weisfelds, the millionaire couple who created the What Everyone Wants discount clothing chain.

The B&J board, which last month recommended acceptance of a rescue deal with the Weisfelds, the millionaire couple who created the What Everyone Wants discount clothing chain.

B&J shareholders are due to vote at an EGM on Monday on the plan for Mr Gerald and Mrs Vera Weisfeld to inject an initial £6m to meet the loss-making group's immediate

working capital needs, in return for a 19 per cent stake and two seats on the board.

However, Pepkor executives have continued talking to B&J and last night were still negotiating details of their counter-offer.

This would involve an immediate cash injection of up to £20m, in return for an eventual substantial shareholding. The deal is unlikely to involve any offer to existing shareholders.

Sources close to the talks dismissed a report that Pepkor would launch a hostile £50m bid and described the 5p per share mentioned as "far too high".

B&J's shares last night

closed 1p higher at 64p, valuing the group at £42m.

Pepkor is Africa's largest mass-market retailer. PEP, the group's core business, sells to a predominantly black customer base.

Although its international presence has been hitherto restricted to Scotland, where it operates a number of outlets under the Your More Store name, it has been looking for further international acquisitions.

B&J has been struggling to recover since the £16m rescue rights issue which brought in new management in 1992. However, poorer than expected trading last Christmas led to a profits warning in January. In March the group

announced losses of £12.7m for 1993, against expectations prior to the warning of a £4m deficit.

The Weisfelds' proposal was their first business venture since they unexpectedly left Amber Day, as W&W was then known, just eight months after selling the chain to Amber Day for £47m in 1990. Since then the Weisfelds, who sold their 15 per cent stake in Amber Day for £11m, have devoted most of their time to charity work.

Mr Weisfeld was not surprised by Pepkor's intervention, but said: "What do they know about British retailing? They are last-minute people, who have been finished off by our bid. Where were they when the company was going bust?"

Healthcall flotation price tag reduced to £58m

By David Wighton

The flotation value of Healthcall, the doctors' deputising service, has been cut to £58m from initial estimates of £70m as the new issues market continues to cool.

The company is issuing fewer new shares than expected and the price is more than 10 per cent lower than hoped for last month.

Mr Maurice Henchey, chief executive, said: "Institutions liked the company, but they have been inundated with new issues. In the circumstances we did remarkably well."

He added that, with few existing shareholders selling, "the most important thing was to allow a lot of scope in the after-market".

He said pricing had not been affected by expected government moves to reduce the out-of-hours burden on family doctors.

The shares have been priced at 105p, equivalent to 14.9 times last year's earnings from the group's continued health-care operations. The notional yield at the issue price is 4.8 per cent.

Shares valued at £31m are being placed with institutions by Morgan Grenfell, of which £7.5m can be clawed back via an intermediaries offer.

Applications must be received by James Capel, the stockbroker, by next Thursday, with dealings due to start on May 18.

● **COMMENT**

The last minute price cut should help the shares get off to a good start, but there are some question marks over the long-term growth prospects of the core business. Healthcall already has almost half the potential duty doctor market, which has been growing strongly over the past few years. More recently, revenue has been boosted by flu epidemics and rate increases. However, the government is keen to stem the rising bill for out-of-hours calls, a fair proportion of which could be dealt with more cheaply at 24-hour health centres. Healthcall already has five such pilot centres, but a big shift away from home visits could require significant capital investment with uncertain returns. The group is well-placed to capitalise on the trend towards community-based care and has moved into new areas such as eye care services for residential homes. But these are currently too small to offset any significant slow-down in the core business.

Body Shop maintains recovery with £29.7m

By Maggie Urry

Body Shop International continued its profits recovery, yesterday reporting a rise at the pre-tax level for the year to end-February from £21.5m to £29.7m, more than reversing the decline of the previous 12 months.

The shares rose 20p to 234p. Mr Gordon Roddick, chairman, said the current year had started well with "strong growth in all of our major markets". He also said the group planned to change its Memorandum of Association "to crystallise the principles and values of our business".

He said this would mean that if the company was run at some future date by people with different business ethics shareholders would "have a hook to hang them on". He stressed this did not mean he and Mrs Anita Roddick, managing director, had any less commitment to remaining with Body Shop.

The figures went some way to allaying investors' fears that Body Shop was falling to counter competitive pressure in its home market. Comparable store sales in the UK were level in the year, after a fall of 6 per cent last time.

Further, the growth in international profits reduced the UK's contribution to group operating profits to under 38 per cent.

During the year the group opened 6 shops in the UK, taking the total to 239, out of a group-wide increase of 183 to 1,053 shops.

Group turnover rose 16 per cent to £195.4m, while total retail sales, including franchi-



Gordon Roddick: strong growth in all major markets

sees' sales, were 18 per cent higher at £438.2m. Operating profits rose 24 per cent to £30.1m (£24.5m) and there was also a £1.1m profit on the sale of the 65.8 per cent stake in Eastwick Trading, which operates shops in the Benelux countries and Austria.

Interest charges fell from £2.8m to £1.5m as debt was reduced from £28.5m to £11.8m, giving gearing of 12 per cent.

Operating profits in the UK rose from £11.2m to £11.4m. In the US, profits were ahead from £2.1m, a figure depressed by the head office, to £6.2m. The rest of the American region was flat at £2.4m. In Europe profits rose from £5.7m to £5.9m, while Asia, improved from £1.8m to £2.4m. Profits from Australia and New Zealand were ahead from £1.1m to £1.8m.

Earnings per share, excluding the profit on the Eastwick

sale, were 36 per cent higher at 10.1p. A final dividend of 1.25p is proposed to give a total of 2p (1.7p).

● **COMMENT**

These results should have convinced some of Body Shop's critics. True, UK profits are unlikely to grow more than modestly in future, but the rise in US profits, for instance, shows what the group can achieve overseas when it reaches the desired "critical mass". Further, Body Shop's revamped management team has tightened up the business, and the investment in recent years in new production facilities is beginning to pay off. On a forecast of £33.5m pre-tax this year, the prospective p/e is just under 20. The rating is nothing like it has been at times in the group's 10 year stock market history, but is justified by current growth prospects.

Lombard forced to cut float price

By Simon Davies

The impact of a falling UK stock market has forced Lombard Insurance to reduce its flotation price.

The company yesterday announced it will issue £33m of shares through a placing and intermediaries offer valuing it at £57m, compared with the initial target of "at least £65m".

At the issue price of 180p, the shares are being sold on a p/e of 9.3 and dividend yield of 6 per cent, based on the prospectus forecast of pre-forma £8.2m profits for the year to June 1994.

Even at the reduced price, brokers said

the reception had been lukewarm, reflecting concerns over increasing competition in the insurance market, and the anticipated impact of weakening bond and equity prices.

Mr Andrew Laing, managing director, said there was no downward pressure on premiums, as "so much capacity went out in 1991 and 1992, that there is no appetite for competition for the sake of it".

Lombard will raise £16m after expenses and the redemption of preference shares. The management buy-out team, which purchased Lombard from its parent Continental Inc in May 1993 for £32m, will also be amply rewarded.

The shares begin trading on May 13.

● **COMMENT**

Lombard is focused on the lower risk portion of the general insurance market, and has taken no exposure to London, let alone the US. The management is confident that it offers limited risk at good time of the cycle, but Lombard is in the sector of the market where everyone wants to be, and competition is tightening. Having been reduced by 10 per cent, the issue price looks more attractive, but institutions have shown little appetite for the placing. The shares look set for a lacklustre debut.

JIB's Swiss link forms new Lloyd's agency

By Richard Lapper

JIB Group, the insurance broker in which Jardine Matheson has a majority stake, is to join forces with Swiss Bank Corporation to form a new independent Lloyd's members' agency - Jardine Lloyd's Advisers.

The business, which will have an initial paid up capital of £1m, will take over and develop the business of Jardine Limited, JIB Group's existing members' agency.

Jardine Limited, one of the

larger independent agencies at Lloyd's, handles the affairs of Names whose underwriting capacity amounts to £394m.

Jardine Limited will receive all profit commissions relating to the transferred capacity for underwriting years of account up to and including 1998.

The parties will subscribe equally for their shareholdings in the new company, with 15 per cent of new capital available for management participation by way of subscription and options.

Capitol raising £1.5m via 3m share placing

By Simon Davies

Capitol Group, the specialist security company, has placed 3.2m shares at 125p through sponsors Granville Davies; dealings in its shares will commence on May 17.

The company, capitalised at £11.5m, provides a range of security services, including fraud investigation, and port and air security.

Capitol has raised £1.5m from the placing, which will be used to fund strategic acquisitions.

In addition, Mr Ken Dullea, the founder, will receive £2m of the proceeds, reducing his shareholding from 85 per cent to 59 per cent.

The shares are being issued on an adjusted p/e ratio of 15.1, based on profits of £1m for the year to March 1994.

Mr Dullea said that the port and ferry business had been the main source of earnings growth in the past two years, but this was now being overtaken by the increase in fraud investigation work, particularly in the City.

Hamleys allocations

By Neil Buckley

Hamleys, the leading toy retailer, said yesterday the intermediaries offer element of its flotation was 3.76 times subscribed, and applications had been scaled down. Dealings in the shares begin today.

A price of 186p a share was available under the offer, but the company said it had

received applications for more than 13.6m.

Some 21,500 shares were allocated to preferential applicants, with applications satisfied in full. Intermediaries who made valid applications were allocated 26.48 per cent of the shares they applied for.

A price of 186p a share was available under the offer, but the company said it had

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Come - pending dividend	Total for year	Total last year
Bank of Scotland	3.18	July 12	2.6	5.05	4.57
BSMS S	1.5	July 6	3	3	3
Body Shop Int	1.25	July 14	1.02	2.1	1.7
BP	2.57		2.1	2.1	8.4
CSC Int Ltd	4	June 24	2.5	5.5	4
Finabury Growth	0.9	June 10	0.9	2.9	3
Forward Group S	31	July 1	2	5	3.45
Greenway	1.5	July 4	1.1	1.5	1.1
Highcroft Inv	3.3	July 2	3.1	5.2	4.9
Rademac	1.2	July 1	1.7	1.7	1.5
Titon S	1.4	July 1	1.3	1.3	4.2

Dividends shown pence per share net except where otherwise stated. TON increased capital. SUSM stock. X-first interim.

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ALLIED-LYONS FINANCIAL SERVICES PLC

ALLIED-LYONS
£200,000,000

6% Guaranteed Convertible Subordinated Bonds Due 2008 (the "Bonds")

FURTHER ADJUSTMENT TO CONVERSION PRICE

NOTICE IS HEREBY GIVEN to holders of the Bonds (the "Bondholders") that a further adjustment will be made to the price at which the Bonds are convertible into Ordinary Shares of Allied-Lyons PLC (the "Conversion Price"). The need for adjustments as a result of the rights issue announced on 24 March 1994 by Allied-Lyons PLC was set out in a notice to Bondholders published on 6 April 1994. The notice stated that the first adjustment to the Conversion Price would be from 622p to 612p and that a further adjustment from 612p to 604p would be made if EC consent to the acquisition of control of the Pedro Domecq Group was obtained and the Second Instalment on the Stock Units was called.

EC consent to the transaction was obtained on 28 April 1994 and the Notice for the Second Instalment was posted to Shareholders on 30 April 1994. The further adjustment to the Conversion Price from 612p to 604p per Ordinary Share therefore takes effect from 30 April 1994.

P.F. Macfarlane

Director

For and on behalf of

Allied-Lyons Financial Services PLC

ENGELS - HOLLANDSE BELEGGENGS TRUST N.V. (English and Dutch Investment Trust)

Established in Amsterdam

PARTICIPATION CERTIFICATES

(Issued by Royal Exchange Assurance)

NOTICE IS HEREBY GIVEN that a gross dividend on the Participation Certificates of Dfl. 1.06 (one Mark and 6 cents) will be payable in Sterling on or after 10th May 1994 against presentation of coupon no. 41.

The dividend will be payable as follows, subject to the provisions of the appropriate Netherlands Tax Act and where necessary:

To Certificate Holders who are subject to United Kingdom Income Tax, less 15 per cent Netherlands Withholding Tax, and United Kingdom Income Tax at 5 per cent on the gross dividend.

To residents of other countries with which The Netherlands have concluded tax agreements, under deduction of 15 per cent Netherlands Withholding Tax.

To residents of all other countries, less 25 per cent Netherlands Withholding Tax.

Certificate Holders resident outside the United Kingdom will receive payment less United Kingdom Income Tax at the rate of 20 per cent per year on the coupon net of the 25 per cent Netherlands Withholding Tax. The above mentioned rates of tax apply only in respect of coupons presented for payment up to and including 10th November 1994.

For the period of 10th May 1994 to 10th November 1994 the dividend will be paid in Sterling at the rate of 20 per cent per year on the coupon net of the 25 per cent Netherlands Withholding Tax. For the period of 10th November 1994 to 10th November 1994, Coupons presented thereafter will be paid in Sterling at the rate of 20 per cent per year on the coupon net of the 25 per cent Netherlands Withholding Tax.

To obtain payment, coupon no. 41 must be presented at the office of Hill Samuel Bank Limited, 45 Beach Street, London EC2P 2LX ("the Paying Agent").

Coupons must be listed in numerical order on special forms obtainable from the Paying Agent and must be held five clear days for examination.

Coupons are available on request to the Paying Agent at the above address of the present Conditions relating to the Participation Certificates which Conditions replace those printed on the back of the coupon Participation Certificates.

Holders of Participation Certificates are entitled to convert their Certificates into ordinary shares issued in Amsterdam. Holders wishing to convert should apply to the Paying Agent to obtain the necessary forms.

ROYAL EXCHANGE ASSURANCE
155 Bishopsgate, London EC2M 3JU

Mediobanca International Limited

Incorporated with limited liability in the Cayman Islands

A member of the Mediobanca Banking Group

Notice to holders of Mediobanca International 4 per cent Notes due 1999 convertible into ordinary shares of Alleanza Assicurazioni S.p.A. (the "Notes")

Notice is hereby given that a Board Meeting of Alleanza Assicurazioni S.p.A. has been held on 4th May 1994 for the purpose of calling the Annual General Meeting of the Company to be held to adopt the Company's Accounts for the year ended 31st December 1993 and proposals relating thereto.

Accordingly, pursuant to Condition 5 (A) of the Notes, Subscription Rights to the Company's shares will not be exercisable between 5th May 1994 and the last possible date fixed for the Annual General Meeting, or where applicable, the day following the payment of any dividends, the distribution of which may be resolved by the Annual General Meeting.

6th May 1994

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Notice of Change in Exchange Property Daily Mail and General Trust plc

£70,000,000

8% Exchangeable Bonds Due 2005

(the "Bonds")

Notice is hereby given to the holders of the outstanding Bonds that, following a subdivision of its ordinary shares on 18th April 1994 by Reuters Holdings PLC, in accordance with Condition 6 of the Terms and Conditions of the Bonds the Exchange Property (as defined in the Terms and Conditions) now comprises 21,998,000 Ordinary Shares of 2.5 pence each (the "Reuters Shares") in Reuters Holdings PLC. On exercise of Exchange Rights, Bondholders shall be entitled to have the redemption monies arising on Bonds tendered for exchange applied on their behalf to acquire 331.4 Reuters Shares in respect of each £1,000 Bond redeemed and 1,657 Reuters Shares in respect of each £5,000 Bond redeemed. The full amount of redemption monies payable on each Bond deposited for exchange shall be applied in the acquisition of Exchange Property.

Notice of Change in Exchange Property Daily Mail and General Trust plc

£50,000,000

5% Exchangeable Bonds Due 2003

(the "Bonds")

Notice is hereby given to the holders of the outstanding Bonds that, following a subdivision of its ordinary shares on 18th April 1994 by Reuters Holdings PLC, in accordance with Condition 6 of the Terms and Conditions of the Bonds the Exchange Property (as defined in the Terms and Conditions) now comprises 10,477,528 Ordinary Shares of 2.5 pence each (the "Reuters Shares") in Reuters Holdings PLC. On exercise of Exchange Rights, Bondholders shall be entitled to have the redemption monies arising on Bonds tendered for exchange applied on their behalf to acquire 208,548 Reuters Shares for each £1,000 Bond, 10,477,528 Reuters Shares for each £5,000 Bond and 20,855,056 Reuters Shares for each £10,000 Bond. The full amount of redemption monies payable on each Bond deposited for exchange shall be applied in the acquisition of Exchange Property.

The Financial Times plans to publish a Survey on International Capital Markets

on Thursday, May 26

The Financial Times reaches more senior European executives with capital responsibility than any other European Publication.

If you wish to reach this influential audience by advertising in the Survey please contact:

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Fax: (212) 313 0704

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Fax: 071 873 3078

Sarah Pakenham-Walsh

HONG KONG

Tel: (852) 888 2665

Fax: (852) 887 1212

FT Surveys

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Purchase gives fillip to Wassall shares

By David Wighton

Supporters of Wassall, the conglomerate whose acquisitive ambitions have been thwarted in recent years, have waited a long time for yesterday's big deal. Expectations were extremely high and they were not disappointed.

Wassall's shares rose 18p to a new high of 320p as the acquisition met with universal approval from the company's followers.

Mr Paul Beaufre, analyst at James Capel, the broker, summed up: "If you had put down on paper everything that Wassall wanted from a deal you would come up with this."

Mr Chris Miller, chief executive, said it closely matches Wassall's six main acquisition criteria.

● Established markets. General Cable serves three main markets in electrical, telecommunications and consumer cables. It is among the market leaders in both the electrical and consumer sectors, which generate two thirds of its sales and are growing steadily.

In telecommunications it makes the heavy duty copper cable that connects telephone exchanges - now almost

entirely a replacement market following the introduction of fibre optic cable - and is a smaller player in the fast-growing data transmission market.

● Everyday products. General Cable makes mainly low-technology products which find their way into most American homes, cars and offices. Its products have a high copper content - it is thought to be the biggest purchaser of copper in the US - and relatively little labour content.

This makes it relatively immune to import threats, since the transport costs are high and the savings to be had by using cheap non-US labour are modest.

● The group makes more than 10,000 different products and Mr Miller said it was "inconceivable" that they were all profitable. "But they do not have the information available to tell." Introducing such systems will be one of Wassall's first tasks.

● Asset-backed. Wassall is paying \$68.8m (£180m) for net assets valued at \$391m at the end of 1993. The purchase price is less than General Cable's \$320m of inventories and receivables. "The copper inventory is simply far too



Chris Miller: deal closely matches Wassall's acquisition criteria

high, with partly-worked copper lying about all over the place."

● Potentially cash-generative. "It is not cash generative at the moment, but it very shortly will be," said Mr Miller, pointing to the company's high depreciation charge.

● Poor relative performance. General Cable made an operating profit of just \$2.5m on sales of \$783.5m last year, compared with a loss of \$32.9m on sales of \$800.8m the previous year.

Although most of its markets have been hit by recession, Mr Miller says this is poor even by

the standards of an industry which is "not particularly well run". Some of General Cable's competitors in the low added value markets are already making margins of over 5 per cent while General Cable's figures for the first quarter of this year show margins recovering to 2.7 per cent on sales up by more than 10 per cent to \$181.8m.

Mr Miller said he would be "amazed" if it was ever a 10 per cent margin business but added: "Even if we only get it up to industry standards then it will be a pretty good deal." It has 22 factories "not producing at anywhere near capacity, which are where they are for distant historical reasons".

● History of under-investment. Until it was partially demerged in 1992 General Cable was wholly owned by American Premier Underwriters, a privately-held financial services group which ran it for cash.

"The managers were not allowed to spend any money with more than a two-year pay-back," said Mr Miller, who stressed that the capital investment needed were "tens of millions of dollars, rather than hundreds of millions".

Blagden calls for £26m to help pay off borrowings

By David Blackwell

Blagden Industries, the steel drum maker hit by recession in continental Europe, yesterday announced a 5-for-9 rights issue to raise almost £26m net of expenses.

The group is proposing to issue up to 25.88m new ordinary shares at 105p a share. The shares closed 2p lower yesterday at 180p.

The issue was well flagged at the end of March, when the group passed its final dividend after diving £10.8m into the red for 1993. The losses, which included £13.3m of exceptional items and interest of £3.3m, breached the interest cover covenant with the group's main lender.

Part of the proceeds of the rights issue will be used to pay off £10m of the debt with the

main lender, which has conditionally agreed a replacement unsecured facility up to January 1996.

Blagden said the rest of the proceeds would go initially towards reducing outstanding bank borrowings across the group. In addition, it is expecting shortly to enter into a formal agreement for the sale of its plastics packaging businesses for \$6.5m.

Mr Richard Searle, who became chief executive seven weeks ago, said yesterday that group gearing would fall from above 80 per cent to about 25 per cent following the issue.

The strengthening of the balance sheet would put Blagden in a position to finance the strategic development of its chemicals and protective equipment divisions.

The group warned that there

had been no significant changes in its main markets in the first four months of this year.

The rights issue is fully underwritten by NM Rothschild and brokers are Panmure Gordon.

● COMMENT

The rights issue will bring much needed relief from financial pressures, which will give the group breathing space to choose its own route forward. There is plenty of room for better margins in the packaging division - the rest is up to the new chief executive and his team. If they succeed in creating a more balanced company built around the mature steel drum business - a good cash cow - Blagden could become a much more exciting bet than it has been for some time.

EuroDollar set for £100m summer float

By Andrew Bolger

EuroDollar, the UK's second-largest short-term car rental company, plans to come to the market this summer through a placing and public offer which is expected to value it at more than £100m.

EuroDollar has about 10 per cent of the UK market, compared with Avis's estimated share of 14 per cent.

About 77 per cent of EuroDollar's revenue comes from corporate customers. Its UK fleet of more than 12,000 vehicles operates from 104 branches.

EuroDollar has a master franchise agreement with Dollar, the US car rental company, which grants EuroDollar a perpetual licence to operate an international rental network in 33 countries.

Last August EuroDollar was the subject of a £118m man-

agement buy-out from TSB Group, which was backed by Prudential Venture Managers.

The company was established as Swan National in 1973 by UDT, the credit financing business which was bought by TSB in 1981.

Swan National was relaunched in 1989 as EuroDollar, to reflect its growing international strategy. It is now the fifth largest vehicle rental company in the world. Mr Freddie Aldous, EuroDollar's chairman, set up the original business in 1973 and led last year's 11-strong MBO team.

He said: "We believe that now is the right time to obtain a listing to establish a sound financial footing for the long-term development of the group."

The issue will be sponsored by Schroders, with Warburg Securities acting as broker.

This advertisement is issued in compliance with the requirements of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange"). It does not constitute an invitation to the public to subscribe for, or purchase, any securities. Application has been made to the London Stock Exchange for the whole of the ordinary share capital of Healthcall Group PLC ("the Company") issued, and to be issued, to be admitted to the Official List. It is expected that dealings in the ordinary shares of the Company will commence on 18th May 1994.

HEALTHCALL GROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 1985. Registered No. 2422701)

Placing and intermediaries offer sponsored by

Morgan Grenfell & Co. Limited of

29,650,122 ordinary shares of 5p each at 105p per ordinary share payable in full on application

Share capital following the offer

Authorised	Issued and fully paid
Number	Amount
144,960,000	£7,248,000
55,185,238	£2,759,262

Healthcall is the largest provider of duty doctor services in Great Britain and also provides telephone answering services on behalf of medical and other professionals and domiciliary eye care services to the elderly and disabled in residential homes.

7,412,530 ordinary shares are being offered in the intermediaries offer. An application under the intermediaries offer must be made on an application form provided by James Capel & Co. Limited and must be delivered to James Capel & Co. Limited so as to be received with cleared funds not later than 12.00 noon on 12th May 1994.

The ordinary shares now being placed and offered will, on admission to listing, rank, pari passu in all respects with the existing ordinary shares of the Company, and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of Healthcall Group PLC.

Listing particulars relating to the Company are available during normal business hours on any business day from the Company Announcements Office, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2N 1HP, for collection only up to and including 19th May 1994, and during normal business hours on any business day up to and including 19th May 1994 from:

Morgan Grenfell & Co. Limited
25 Great Winchester Street
London EC2P 2AX

James Capel & Co. Limited
Thames Exchange
10 Queen Street, Place
London EC4R 1BL

Healthcall Group PLC
401 South Row
Central Milton Keynes
MK9 2PH

6th May, 1994

HALIFAX
£250,000,000
Floating Rate Notes Due 1997

In accordance with the provisions of the Notes, notice is hereby given that, for the six month period 4th May, 1994 to 4th November, 1994, the Notes will bear interest at the rate of 5.5104 per cent. per annum. Coupon No. 8 will therefore be payable on 4th November, 1994, at £1,389.92 per coupon from Notes of £10,000 nominal and £277.78 per coupon from Notes of £10,000 nominal.

S.G. Warburg & Co. Ltd.
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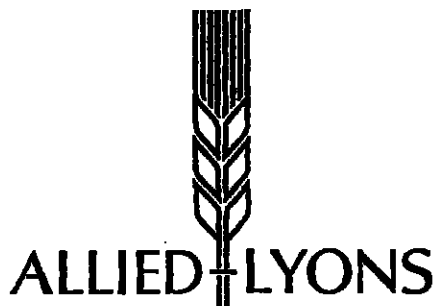
REMINDER

REDROW
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12 NOON on MONDAY
9th MAY 1994

This advertisement has been approved by Barclays de Zoete Wedd Limited, a member of The Securities and Futures Authority.

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ALLIED-LYONS FINANCIAL SERVICES PLC



£200,000,000

6% Guaranteed Convertible Subordinated Bonds Due 2008 (the "Bonds")

FURTHER ADJUSTMENT TO CONVERSION PRICE

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P.F. Macfarlane

Director

For and on behalf of

Allied-Lyons Financial Services PLC

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The Mercantile & General Group in the last year achieved its best ever profit - £104 million before tax, compared to a loss of £45 before tax in 1992.

"The impressive turn-around in the group's performance in 1993 is a testament to the result of Chief Executive John Newmarch's policy of insisting on the need for commercially realistic partnerships between insurers and reinsurers to deliver sustainable mutual profits."

I am convinced that M&G now is ideally positioned to achieve more successful results in the future than at any other time during the Prudential Corporation's period of ownership."

Mick Newmarch, Chairman of Mercantile and General and Chief Executive, The Prudential Group.

- Shareholder's funds strengthened from £206 million to £287 million.
- General business solvency ratio increased to 86%.
- 1993 Profit on General business £144 million. A significant turnaround on 1992 loss of £6 million.
- Life profit up by 9% to £73 million demonstrating quality and strength of worldwide operations.
- Impressive Standard and Poor's credit rating of AA- (excellent).



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For a copy of the 1993 Review and Accounts, write to: The Secretary, The Mercantile and General Reinsurance Company plc, Moorfields House, Moorfields, London EC2Y 9AL.

FT CONFERENCES

WORLD PULP AND PAPER CONFERENCE
London 17 & 18 May 1994
Arranged jointly with the Confederation of European Paper Industries, the conference will consider longer-term strategies for the industry post-recession, discuss restructuring, competition and trade issues; review developments in emerging markets and study the implications of the growing environmental challenges facing the sector. Speakers will include: Mr Robert van Oort, NV Koninklijke KNP BT; Mr Ronald Oberlander, Abitibi-Price Inc; Mr Adnan Souleas, Arjo Wiggins Appliances; Mr Craig McClelland, Union Camp Corporation; Dr Henning Goggin, Zanders Polypapier AG and Mr Thomas Nystén, Finnmap.

WORLD GOLD CONFERENCE
London, 6 & 7 June 1994
Mr Rupert Pennington, Deputy Governor of the Bank of England will deliver the opening address at this year's meeting which is linked to coincide with the biennial celebration of the Bank. Speakers will include Dr Chris Stain, South African Reserve Bank; Mr Jean Zwikowski, Swiss National Bank; Mr Clem Suter, Anglo American Corporation of South Africa; Mr Kevin Fox, Balyroch Gold; Mr Harry Conner, Homestake Mining; Mr Victor van Kampen, Dredcor Bank; Mr Phil Wilson, Standard Chartered Bank; The Metals Group and Mr Mexico Tonol, Tarnica KC.

NORTH SEA OIL AND GAS
London 13 & 14 June 1994
The conference will review ESP in the main sectors of the North Sea and consider the impact of current oil prices on activity in the province. Competitiveness, operator-contractor relationships and abandonment will also be discussed. Speakers include: Mr Tim Eggar MP, Minister for Energy; Mr Helen Patterson, Shell UK Exploration and Production; Mr Johannes Maser, Commission of the European Communities; Mr Kyrre Niese, Statoil; Mr Lance Johnson, Mobil North Sea; Dr Peter Scholten, Ministry of Economic Affairs, The Netherlands; Dr Rex Galeford, Amerasia Hess Limited and Mr Norman Chambers, Brown & Root Limited.

TRANSPORT IN EUROPE-CREATING AND FINANCING THE INFRASTRUCTURE OF THE FUTURE
London, 15 & 16 June 1994
The conference will examine industry implications of Community proposals for Trans-European Networks, as well as the prospects for public-private partnerships to finance Europe's transport infrastructure. Speakers include: The Rt Hon John MacGregor CBE MP, Secretary of State for Transport; Mr Henning Christophersen, Commission of the European Communities; Mr Boguslaw Liberadzki, Minister of Transport, Poland; Mr Ryszard Mielant, Managing Director, West Merchant Bank; Mr Alessandro Ovi, IFI SpA and Mr Bertrand Hoesch, SAPRI.

EUROPEAN TELECOMMUNICATIONS-RESPONDING TO CHANGE
London, 20 & 21 June 1994
This year's meeting will focus on the challenge of emerging competition and convergence for operators, regulators and business users in Europe. The issue of network modernisation and financing will also be addressed. Speakers include: Mr Bill Wigglesworth, OFTEL; Mr Claudio Scazzola, Eutelsat; Mr Michael Hapner, British Telecommunications PLC; Mr Wim Dik, Royal PTT Nederland NV; Mr Mike Harris, Mercury Communications Ltd; Mr Eugene Connolly, Nynex CableComs Limited; Mr Michael Pinar, Director, NAM Rothschild & Son Ltd; Mr Benji Thompson, Telsa AB.

MULTIMEDIA - VISION AND REALITY
London, 12 & 13 July 1994
This major business forum will focus on the key issues facing the fast-growing industry, the regulatory and legal framework for industry development, financing the multimedia future, assessing real business applications and potential and the role of strategic alliances in responding to the developing multimedia marketplace. Speakers include Professor Nicholas Negroponte, Massachusetts Institute of Technology; Mr Terry Henshaw, Time Warner Interactive; Mr Alfred C. Shaw, Hewlett-Packard; Mr John H. Johnson, Time Warner; Mr Robert B. Stammers, Comshare; Mr Peter Job, Reuters Holdings PLC; Mr Scott Marden, Philips Media.

All enquiries should be addressed to: Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071-514 8770 (24-hour answering service) Telex: 27347 FTCONF G, Fax: 071-573 3875/3869.

NOTICE

Cookson Finance NV.
5% Guaranteed Redeemable
Convertible Preference Shares due 2004
guaranteed on a subordinated basis by, and
convertible into Ordinary Shares of,

Cookson Group plc

Notice is hereby given that pursuant to the Articles of Incorporation of Cookson Finance NV (the "issuer") constituting the 5% Guaranteed Redeemable Convertible Preference Shares due 2004 (the "Preference Shares"), the issuer has decided:

- not to elect to pay dividends at a higher level than 5% per annum;
- not to elect to grant the holders of the Preference Shares the option to require the issuer to redeem such Preference Shares on 1st June, 1995; and
- not to enter into any arrangements to procure the purchase by a third party of all Preference Shares which would otherwise be redeemed by the issuer on 1st June, 1994 pursuant to the option referred to below.

Holders of the Preference Shares are hereby reminded of their right to require the issuer to redeem such Preference Shares on 1st June, 1994, at a redemption price of 134.25% of the Paid Up Value of the Preference Shares together with dividends accrued to that date. The Paid Up Value of each Preference Share is £1,000. In order to exercise such option, the holder of any Preference Share must deposit at any time after 8th May, 1994 and prior to the close of business in the relevant place of delivery on 21st May, 1994 such sum together with a written notice exercising the option (the "Option Notice") with any of the Paying Agents named below. The form of Option Notice is obtainable from the specified office of any of the Paying Agents.

An Option Notice, once given, shall be irrevocable save that the holder giving an Option Notice in respect of any Preference Share shall retain the right to require such Preference Share to be converted into Ordinary Shares of Cookson Group plc in accordance with the terms of the Preference Shares, prior to the close of business in the relevant place of delivery on 1st June, 1994.

PRINCIPAL PAYING AGENT

The Chase Manhattan Bank, N.A.
Woodgate House, Coleman Street, London EC2P 2HD

PAYING AND CONVERSION AGENTS

Chase Manhattan Bank (Switzerland) Ltd
Luzernburg S.A.
5 Rue Placidie
L-2338 Luxembourg

Banque Bruxelles Lambert S.A.

24 Avenue Marquis, B-1050 Brussels, Belgium

Cookson Group plc

For and on behalf of Cookson Finance NV, N.V.
By: The Chase Manhattan Bank, N.A.
London, Principal Paying Agent

6th May, 1994

Approved for the purposes of Section 57 of the Financial Services Act 1986 by
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MEPC pays £67m for Midlands properties

By Vanessa Houlder,
Property Correspondent

MEPC, the quoted property company, has bought a £67m portfolio of office and industrial properties in the Midlands from the Richardson Group, a private property company.

It is also negotiating with John Leung, the construction company, about acquiring Castlecourt, a Belfast shopping centre.

The 14 properties being acquired from Richardson total 1.75m sq ft of space and range from industrial estates to newly erected government offices at the Waterfront, Merry Hill, West Midlands. The overall yield was 9.5 per cent.

Two properties in the portfolio are under construction, namely the St Chads office development in Birmingham

and the Waterfront Business Park at Merry Hill. The final price will be determined by the letting of these properties.

MEPC said the acquisitions gave it an interesting mixed portfolio to which it believed it could add value.

Richardson said it intended to sell more investments this year, to "take full advantage of the current buying interest in investment properties".

In a separate announcement, John Leung said it had received a number of unsolicited offers for Castlecourt. It is pursuing exclusive negotiations with MEPC.

● Hanson Properties has sold a portfolio of properties for £25m to O&H Properties, a subsidiary of O&H Holdings, a privately-owned development company, based in Hammsmith, west London.

The portfolio, which is spread across England, Scotland and Wales, is composed of office buildings (57 per cent) and shopping centres (38 per cent) together with some warehouses (5 per cent).

Hanson said it was disposing of the portfolio as part of its general strategy of selling properties that had been acquired with large acquisitions.

About £30m of the initial consideration - which represents the approximate net asset value of the properties - is in guaranteed deferred notes.

The deal was funded by GE Capital, a subsidiary of the General Electric Company, which has provided structured finance that included a share in the equity appreciation of the properties.

Acquisitions behind 64% increase at Forward Group

By Paul Cheseright,
Midlands Correspondent

Forward Group, the specialist circuit board and chemicals manufacturer, raised annual profits by 64 per cent, helped by the first contribution from Central Circuits, a Telford-based company purchased from the receiver in February 1993.

Over the 12 months to January 31, pre-tax profits improved

from £1.23m to £2.02m. Acquisitions contributed £5.6m to turnover which jumped to £20.7m (£12.5m), and £985,000 to operating profits of £2.23m (£1.43m).

The purchase of Central Circuits widened Forward's manufacturing base, although it has temporarily taken the group closer to the mass market for circuit boards and diluted turnover of its usual specialist low volume, high value business.

Looking at the group's main markets, Mr Ray Chamberlain, chairman, said there had been some improvement in the electronics industry, but that telecommunications was more of a growth area than military business. The group's business with medical customers was also growing.

Earnings per share rose from 11.06p to 16.71p. The proposed final dividend is 3p, bringing the total to 5p (3.3p).

Mercantile & General Re swings back into the black

By Richard Lapper

Mercantile & General Reinsurance, the reinsurance subsidiary of the Prudential, yesterday returned to the black.

Pre-tax profits of £104m were achieved for 1993, against losses of \$45m last time, despite a \$49m strengthening of reserves against claims from business underwritten in prior years.

"The results have clearly benefited from our policy of profit before volume," said Mr John Johnson, group chief executive. M&G Re reduced its exposure to general reinsurance following heavy catastrophe claims in recent years.

As a result, general reinsurance premium income fell from \$408m to \$332m, although the fall was less steep than the company envisaged

a year ago owing to rate increases in many areas of the international market. The rate rises helped this segment of the business report adjusting of \$5.8m (£143.5m losses).

In contrast, the group increased its premium from life reinsurance, in which it is an international market leader, to \$765m (\$613m). Life profits amounted to \$73m (\$57m).

Expansion in the life area was focused in the North American medical expenses market. Extra reserves were needed to meet claims from past catastrophes and marine reinsurance liabilities incurred on policies underwritten in prior years. An extra \$3m was set aside to meet claims relating to asbestos and pollution.

The shareholders' operating result - investment income plus "smoothed" capital gains - amounted to £35.6m (£31.5m).

NEWS DIGEST

Polypipe expands in Europe

Polypipe, the manufacturer of plastic pipes and fittings, has gained entry to several European markets via the acquisition of Janoplast for an initial FF64m (£9.83m) cash.

Further consideration to a maximum of FF33m will be payable in two instalments providing Janoplast's net assets at completion are at least FF55m.

The deal is Polypipe's first European purchase and gives the group a manufacturing and distribution base in mainland Europe and takes it into the French, German, Benelux

and eastern European markets.

Chartwell

Dealings in Chartwell Group, the manufacturer of carpet tiles and toilet cubicles, were suspended at 4p yesterday at the company's request "pending shareholder approval of a proposed substantial acquisition, the terms of which are currently being finalised".

Chartwell has been linked recently with Sir Tim Bell, and his Lowe Bell public relations company. There has been speculation that Lowe Bell could be seeking a listing by reversing into Chartwell.

Emap purchase

Emap, the media group, is to acquire FRM - a monthly men's style and general inter-

est magazine - from Tayvale for an undisclosed sum.

Mr Tom Moloney, managing director of Emap's consumer magazine division, said that FRM - which has an ABC figure of 78,541 - would enhance the company's portfolio of successful male-oriented magazines and fashion titles.

Castle Comms

Castle Communications, through its Castle Copyrights subsidiary, has agreed to buy the rights to the Solar catalogue of master recordings, excluding the US, Canada and Africa, for \$2m (£1.3m) cash.

The Solar catalogue comprises some 400 soul, dance and disco tracks performed mainly by black American west coast artists, and is owned by Sound of Los Angeles Records.

Co-op societies in merger proposal

By Neil Buckley

Co-operative Retail Services, the second largest co-operative retailer in the UK, yesterday launched a new proposal for a merger with the largest, Co-operative Wholesale Society, to create a significant retailing force.

The combined societies would have annual turnover of more than £30bn - about 75 per cent from grocery sales - making them the UK's seventh largest retail group.

The latest of three attempts to merge the groups founded in 1990 when they failed to agree on the structure of the board. But as the CRS published a new merger manifesto, "The Time is Right", both groups said they were hopeful.

"There is a tangible will within both societies to make it happen," said Mr Harry Moore, CRS chief executive.

The CWS responded that it was on the record as supporting a merger.

"If the CRS and its members are enthusiastic and convinced of the case, we welcome that," the CWS move came as it revealed a small increase in its pre-tax surplus for the year to January 29 to £36.7m, against £25.5m which excluded a £22m exceptional gain from the sale of its dairy business.

Turnover fell 6 per cent from £1.38bn to £1.27bn, but adjusting for the dairy disposal, sales fell 0.7 per cent.

Mr Moore said this was a "resilient performance" amid tough competition in the grocery market and given that the previous year was 23 weeks. He added that the CRS, which includes the Pioneer, Leo's and Shop & Shop formats, had held market share and increased gross margin - in contrast to many grocery groups - through better buying and adjusting the product mix.

However, Mr Moore warned that co-operative retailers faced the threat of being squeezed between discounters and "premium chains". A merger was vital if they were to fight back.

Failure to achieve that "could signal the end of the Co-op as a serious national retail force".

The benefits included cost savings, increased financial strength for investment and development, doubled purchasing power, and the ability to compete nationally with cohesive marketing campaigns.

The main issue, as in 1990, will be achieving the correct balance on the board between individual members and the CWS's corporate members, which include CRS itself and regional co-operative societies which have joined the CWS in recent years.

Mr Moore said changes in the structure of both groups since 1990 increased the chances of agreement.

Greencore makes £2.5m Belgian buy

Minch Norton, the malting subsidiary of Greencore Group, has agreed to acquire the malting business and assets of HDM Group, a Belgian company which is in receivership.

The consideration will be Bfr130m (£2.5m).

Aerostructures expects £26m from flotation

By David Blackwell

Aerostructures Hamble Holdings, the former British Aerospace aircraft components subsidiary, expects to raise about £26m net of expenses when it comes to the market this month.

The pathfinder prospectus, published yesterday, said the money would be used, alongside a new £10m unsecured revolving credit facility, to repay £35m of debt incurred during the £47.6m management buy-out in 1990. It will be raised through a placing and intermediaries offer.

Aerostructures Hamble, which occupies the site near Southampton where Sunderland flying boats were built, made operating profits of £7.8m on turnover of £70.4m in 1993, compared with profits of £7m on turnover of £71.3m in 1992. The pathfinder puts pro forma pre-tax profits for 1993 at £5.6m, after allowing £2m for restructuring.

The charge will cover the cost of shedding a further 200 jobs this year. At the end of December the workforce had been reduced from 2,000 at the time of the buy-out to 1,635.

The company, which is expected to be valued at more than £70m, depended on BAE for 83 per cent of its business in 1990, but reduced that to 78 per cent last year.

Mr Andy Barr, chief executive, said new orders already won, including a substantial contract from Boeing for wing parts for the 737-700, would reduce the level further this year. He described the broadening customer base as "blue chip".

The senior management, all with experience at Rover Group, is implementing Japanese techniques learnt in the car business but not previously used in the aircraft industry.

Mr Barr said that margins had improved from 8.9 per cent to 11.3 per cent in three years, and he was seeking continuing improvements.

The management, including Mr Barr who has a 14.8 per cent stake, will be selling some shares. Legal & General Ventures Partners, the largest institutional holder, with 33.7 per cent, is also likely to sell some of its investment.

The flotation is sponsored by NM Rothschild and the broker is Smith New Court.

London Capital to get £150m valuation

By Simon Davies

London Capital Holdings, the property investment company owned by Citibank, will offer up to £104m of new shares in a flotation, valuing the company at close to £150m, a small discount to its net asset value of £160m.

Citibank will sell between 65 per cent and 70 per cent of its shares, while LCH - the former Randworth Trust property portfolio - will raise a further £15m from new shares.

The value of LCH's 14 properties increased by 7.35 per cent to £244.8m between December and mid-April. Mr Nigel Knapman, joint managing director, said he would be happy to see gearing rise to about 70 per cent.

The shares will be offered through a placing and public offer, sponsored by Baring Brothers. The pricing will be announced on May 25.

the west end are expected to fall from 8.7 per cent in March 1994 to 2.5 per cent by March 1995, and prime rents should rise 30 per cent by the end of 1995.

However, the outlook for property valuations has become less rosy since LCH announced its intention to float. The sector's premium to asset value has all but disappeared, while the company will have to compete with a number of property flotations, including Argent and Pillar.

LCH has recently signed a £100m loan facility from HSBC, and will have gearing of less than 50 per cent. Mr Nigel Knapman, joint managing director, said he would be happy to see gearing rise to about 70 per cent.

The shares will be offered through a placing and public offer, sponsored by Baring Brothers. The pricing will be announced on May 25.

Vymura resists slide with £39m placing tag

By David Wighton

Vymura, the wallcoverings group which was originally part of ICI, has resisted the slide in new issue pricing and is to be valued at £38.6m via a placing price of 150p.

Mr David Simpson, a director of Barclays de Zoete Wedd, Vymura's sponsor and financial adviser, said the price was exactly as planned when the flotation was first announced six weeks ago.

"We have been seeing some softening of prices but there is still an appetite for quality new issues."

He added that in Vymura's case there was a comparable

quoted company, Fine Decor, whose share price has not weakened in the past few weeks.

The placing price represents 14.5 times last year's earnings per share.

The notional yield is 3.7 per cent, slightly higher than Fine Decor.

BZW is placing a total of £24.1m of shares, raising a net £10m for the company. Just over half the new money will be used to repay preference shares held by institutions that backed a management buy-out in 1992.

UBS are brokers to the issue. Dealings are expected to start next Thursday.

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COMMODITIES AND AGRICULTURE

Precious metals seen past their 'best buy' dates

By Kenneth Gooding, Mining Correspondent

The precious metals price forecasting season is under way as analysts put their gold, silver and platinum market predictions up for inspection.

Ms Rhona O'Connell at T. Hoare and Company, in a special report on the silver market, suggests this "is now one of the most dangerous metals in the non-ferrous metals and carries with it a large Wealth Warning". Prices may rise, she points out, but "disillusioned liquidation, or mere profit-taking into a rally, can send prices spinning down again, usually faster than they rose".

While the underlying fundamentals of the silver market are improving, prices will not be sustained for long above \$8 a troy ounce, Ms O'Connell suggests.

She sees prices moving between \$4.50 and \$6 an ounce this year and next with an average of \$5 for each year.

Stocks of silver in the US alone stand at 36 weeks of supply, which would take some three years to whittle down to a more manageable eight-week level even though the annual supply deficit is forecast to increase from last year's 128m ounces to 137m this year and 150m in 1995.

Mr Andy Smith at Union Bank of Switzerland suggests all the precious metals probably achieved in the first quarter their highest prices for 1994 as a whole.

He points out that in the January-March period US interest rates were at their lowest level in 30 years and this coincided with a weak dollar and concerns over precious metal supplies, especially supplies of platinum from South Africa.

He warns that many of gold's emerging markets are losing their promise. Low oil prices

are affecting Saudi Arabia's purchasing power and several Middle Eastern countries may suffer economic dislocation because of the rise in Islamic fundamentalism. The lack of pensions provision in China, South Korea and Singapore may cause personal gold hoards to be sold by an ageing population.

Silver's price, which reached \$5.75 an ounce in the first quarter, is forecast by Mr Smith to be down at \$4.50 an ounce in three months time and back up at \$5 in 12 months. He expects platinum, which reached \$418 an ounce in the first quarter, to perform in a similar way, falling to \$350 an ounce in three months and recovering to \$380 in a year.

Gold, which has been up to \$385 an ounce in the first quarter, is predicted by Mr Smith to fall to \$350 in three months and recover to \$380 in a year's time.

Meanwhile, at the GPM Group, based in New York, Mr Jeffrey Christian, managing director, says gold may be at the start of a major cyclical upward move. Private investment demand in gold began to revive sharply in the last four months of 1993, he recalls, and there are several factors that are likely to keep investors interested in the metal, at least intermittently, for the rest of this year and next.

Mr Joseph Rosta, CPM research director, suggests silver is on an upward phase that may last another year or more. He says the time when supply has been growing more quickly than demand appears to be passing "and it may be replaced over the next several years by conditions in which the rate of growth in fabrication demand outpaces any increases in total supply". Nevertheless, platinum prices may go down in the coming year as fears about South African supplies diminish.

Rwandan farming programme threatened

By Nancy Durns, In Washington

Scientists working for the International Centre for Tropical Agriculture, based in Colombia, are urging the resumption of one of Africa's most successful agricultural programmes - the growing of climbing beans, developed in Latin America in the Great Lakes region of Rwanda, Burundi and western Zaire.

Beans are staple of the Rwandan diet and the introduction of climbing beans, which grow upward on stakes in farmers' fields, has tripled yields in a country where farmers average only one-half to one hectare each and 500 impoverished people live on each square kilometre of rural land. Production has risen by at least 33,000 tonnes, worth US\$18m.

The bloody civil war has put the entire scheme at risk. One plant breeder, Dr Wayne Youngquist, was evacuated in a convoy of 75 cars and then airlifted to Kenya. Dr Robin Buruchara, plant pathologist, was in Kenya when the fighting began and has been unable to return.

According to Dr Youngquist, most of the bean crop in southern Rwanda was lost to drought last year. Early last month the rains were good. The next harvests are five to nine weeks away.

"If we can get back into Rwanda within a month before the weeds take over - we can continue the programme without losing much. But right now, people worry more about their lives than weeds," said Dr Youngquist. To keep the bean programme going, the tropical agriculture centre temporarily moved operations to Burundi, where they are multiplying seeds to send to Rwandan farmers when the fighting ends.

Ankle deep in agricultural controversy

Alison Maitland attends a meeting of farmers, policy-makers and environmentalists

Where better to debate the pros and cons of the European Union's changing agricultural policy than standing ankle-deep in a field that has been 'set aside' from its previous use of growing barley?

The field, now sporting several varieties of wild plants, was the first stop on a farm walkabout this week in the picturesque Dehnam Vale, in the Essex countryside best known through the paintings of John Constable. The tour, an annual event organised by the local 'Tendering Hundred Farmers' Club, provides an opportunity for leading policy-makers, lobbyists and farmers to discuss the most contentious issues in British agriculture.

The debate, helped by a stiff breeze, was lively. Mr Patrick Holden, policy director of the Soil Organic Farmers' Club, said that set-aside, whereby farmers are paid to take a percentage of their arable land out of production, was

a desperate measure by the European Commission to control grain surpluses. It would not work because farmers would simply intensify production on their remaining land.

Hailing its environmental benefits - the lower use of pesticides and the reappearance of wildlife - "it's just making the best of a bad job", he said. "It would be much better to de-intensify farming as a whole rather than to use set-aside as an oasis."

Not surprisingly, the officials from the ministry of agriculture disagreed. Mr Howard Fearn said that a study being carried out by Wye agricultural college had found no evidence of production being stepped up on the rest of the land. And he pointed out that while concern for the environment was not the driving force behind the common agricultural policy reforms, it was becoming inextricably linked with them as a way of making continued subsidies for farm-

ing more palatable. "The only way of getting the taxpayer rather than the farmer to pay is to introduce something called the environment," he said.

This appears to be throwing up contradictions. Farmers choosing the option of non-rational set-aside - where they leave a fixed area of their farm unproductive rather than rotating the site each year - are contributing more to wildlife. But, having impact, in terms of reducing production, will be less great as only the poorest land is set aside, according to agricultural economists.

A huge cloudburst forced the *de fresco* meeting to reconvene in a barn, where the steam was visibly rising as the arguments over environmentally-sensitive farming grew hotter. Conservationists wanted subsidies transferred wholesale from mainstream agriculture to promoting environmentally bene-

ficial farming practices. But, apart from stressing the difficulty of Britain persuading its EU partners to go down that road, the man from the Treasury said he doubted whether the taxpayer would agree to \$3bn a year being reallocated to an industry that had already been so heavily subsidised in the past.

So what did the scores of farmers present think of the prospects? The view was suitably down to earth. "At the end of the day, farmers have got to produce a net profit," said Mr Jim Macaulay, one of the organisers. "They can look towards the movement of sustainable farming, but if they take their eye off the costs they're in deep trouble."

The problem facing farmers in Europe is that many of their competitors elsewhere in the world do not face the same tough legislation on animal welfare or pesticide use - one reason why they can produce much more cheaply - said a

senior official from the National Farmers' Union.

Mr Oliver Doubleday, who farms in both England and Brazil, said UK farmers were naive if they thought they could survive without subsidies. "It's a huge trap to think we ought to be trading on world prices," he said. "You just don't realise how low they are. There are going to be people - and I hope it's going to be me - who will clean up behind you."

Mr Macaulay concluded that UK costs of production would have to come down "if we're to stay in farming and deliver what the environmentalists want".

Exactly how high-cost, high-quality producers in Europe would continue to survive once markets became more open remained unclear. So did the common ground between the environmentalists and the bureaucrats. But at least the farmers were happy - they had got the rain they needed.

Alumina terminal opened on Russia's east coast

By Kenneth Gooding

An Anglo-Russian project to open up one of the bottlenecks that has restricted the import of an essential raw material for the Russian aluminium industry became operational this week when 25,000 tonnes of alumina (aluminium oxide) was unloaded by new facilities at the east coast port of Vainav.

The bulk alumina handling facilities, costing "several million dollars", are jointly owned by Trans-World Metals, the UK-based trading group, and the Vainav Port Authority, one of the new Russian joint stock companies.

Russia has only one other such handling facility, at Murmansk. According to Mr Alan Bekhor, managing director of Trans-World, said to be the biggest trader in Russian alumi-

um: "The Vainav facilities open the way for alumina to get to Russia more efficiently. They represent a logical link between Australia, the world's biggest alumina producer, and Russia's big Siberian smelters." The first alumina through the facilities was bought from Alcoa of Australia.

Mr Bekhor said that within three months a second stage would lift the bulk alumina handling capacity at Vainav to 50,000 tonnes a month. The port is at one end of the Baku-Amur railway which runs parallel to the Trans-Siberian railway.

In theory the facilities are available to all but "Trans-World will probably keep them busy for the rest of this year." However, Mr Bekhor stressed: "This is a long-term investment and there will be no quick returns."

Coffee rallies to fresh high

London Commodity Exchange

COFFEE futures perked up towards the close, briefly reaching fresh five-year highs. The market had opened softer and slipped further, looking set to consolidate recent strong gains. The July position was \$15 down at \$1.668 a tonne by the mid-session close, having touched a low of \$1.655. But a flurry of trade and commission house buying late in the afternoon quickly took the price up to a new high of \$1.70 before it eased to close at \$1.70, up \$17.

"We saw good buying again towards the close, it would be a brave man to go short in this market," one trader commented.

The COCOA market ended a very dull but choppy day mixed, the near July futures position dipping to \$870 a tonne before closing \$4 up on

balance at \$886.

Traders said the market shrugged off news that according to the chief executive of the Ivory Coast's Caistab, the country was short of its current commitments and the mid-crop would only be 80,000 tonnes, against forecasts of 100,000 tonnes. "The market isn't in the mood for bullish news," one explained. "Sentiment is slightly unfriendly."

At the London Metal Exchange COFFER prices snapped higher in the afternoon, setting the market up for a further attempt on recent highs at \$1.983 a tonne, but other markets ended mixed.

ALUMINIUM prices moved off their lows aided by copper. But the three months delivery quotation was unable to repeat Wednesday's torrid above \$1,330 a tonne, and final business was at \$1,327, down \$2.

Price trends were mixed for the PRECIOUS METALS after gold fixed unchanged from its lower morning setting and the New York markets mostly opened sharply lower. Dealers said the turn-around in the dollar's strength from weak to firm and the apparent calm in South Africa had taken away GOLD's two major price supports.

London SILVER prices struggled for most of the day after only briefly holding a firmer opening level at \$5.17-\$5.19 for the cash position. A sudden bout of selling took the price down to around \$5.10 support near the morning gold fix and although a couple of rallies were attempted, the support was re-tested when the New York market lost nearly 11 cents shortly after opening.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Close	3 mths
Close	1303-3	1307-8
Previous	1301-2	1302-5
High/Low	1300	1320/1322
AM Official	1299-300	1324-5
Kerb close		1325-7
Open int.	247,560	
Total daily turnover	36,316	

ALUMINIUM ALLOY (\$ per tonne)

	Close	3 mths
Close	1290-5	1305-8
Previous	1300-10	1310-5
High/Low	1285-10	1310/1310
AM Official	1285-10	1305-7
Kerb close		1305-7
Open int.	4,078	
Total daily turnover	1,078	

LEAD (\$ per tonne)

	Close	3 mths
Close	483-4	478-5.5
Previous	484-5.5	473-5.4
High/Low	481	470/475
AM Official	481-2	477-5
Kerb close		475-5.9
Open int.	35,181	
Total daily turnover	5,510	

NICKEL (\$ per tonne)

	Close	3 mths
Close	5630-40	5700-10
Previous	5635-40	5710-5
High/Low	5620/5660	5700/5660
AM Official	5605-8	5680-5
Kerb close		5710-5
Open int.	56,308	
Total daily turnover	12,745	

TIN (\$ per tonne)

	Close	3 mths
Close	5430-40	5495-500
Previous	5405-15	5470-80
High/Low	5437	5510/5495
AM Official	5437-8	5485-5
Kerb close		5505-10
Open int.	18,658	
Total daily turnover	5,000	

ZINC, special high grade (\$ per tonne)

	Close	3 mths
Close	950-1.5	970-2
Previous	947-5	980-4.5
High/Low	949.5/949	972/967
AM Official	949.5-9	970-5.5
Kerb close		966-7.0
Open int.	101,689	
Total daily turnover	27,118	

COPPER, grade A (\$ per tonne)

	Close	3 mths
Close	1983-4	1974-5.5
Previous	1982-3	1975-5
High/Low	1980/1984	1969/1984
AM Official	1982-3-5	1980-5-8
Kerb close		1975-5
Open int.	181,824	
Total daily turnover	45,553	

LAME ALUMINIUM 92.5 (\$ per tonne)

	Close	3 mths
Close	1450-1.5	1462-1.5
Previous	1450-1.5	1462-1.5
High/Low	1450-1.5	1462-1.5
AM Official	1450-1.5	1462-1.5
Kerb close		1462-1.5
Open int.	181,824	
Total daily turnover	45,553	

HIGH GRADE COPPER (COMEX)

	Close	3 mths
Close	92-50	92-50
Previous	92-50	92-50
High/Low	92-50	92-50
AM Official	92-50	92-50
Kerb close		92-50
Open int.	92-50	
Total daily turnover	92-50	

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)

	Price	\$ equiv.
Close	374.50-374.80	
Previous	374.20-374.60	
High/Low	374.50	248.700
AM Official	374.50	250.033
Kerb close		
Open int.	374.50-374.80	
Day's Low	374.10-374.30	
Previous close	373.50-373.75	

Loco Lead Mean Gold Lending Rate (1% US\$)

	1 month	3 mths	6 months	12 months
Close	3.58	3.74	3.88	4.21
Previous	3.58	3.74	3.88	4.21
High/Low	3.58	3.74	3.88	4.21
AM Official	3.58	3.74	3.88	4.21
Kerb close				
Open int.	3.58	3.74	3.88	4.21
Total daily turnover	3.58	3.74	3.88	4.21

Silver (\$ per oz.)

	Price	\$ equiv.
Close	342.75	511.73
Previous	342.75	511.73
High/Low	342.75	511.73
AM Official	342.75	511.73
Kerb close		
Open int.	342.75	511.73
Total daily turnover	342.75	511.73

Platinum (\$ per oz.)

	Price	\$ equiv.
Close	385.25-387.70	
Previous	385.25-387.70	
High/Low	385.25-387.70	
AM Official	385.25-387.70	
Kerb close		
Open int.	385.25-387.70	
Total daily turnover	385.25-387.70	

Precious Metals continued

GOLD COMEX (100 Troy oz. \$/troy oz.)

	Close	3 mths
Close	374.50	374.80
Previous	374.20	374.60
High/Low	374.50	374.80
AM Official	374.50	374.80
Kerb close		
Open int.	374.50	374.80
Total daily turnover	374.50	374.80

PLATINUM NYMEX (50 Troy oz. \$/troy oz.)

	Close	3 mths
Close	385.25	387.70
Previous	385.25	387.70
High/Low	385.25	387.70
AM Official	385.25	387.70
Kerb close		
Open int.	385.25	387.70
Total daily turnover	385.25	387.70

PALLADIUM NYMEX (100 Troy oz. \$/troy oz.)

	Close	3 mths
Close	135.25	135.25
Previous	135.25	135.25
High/Low	135.25	135.25
AM Official	135.25	135.25
Kerb close		
Open int.	135.25	135.25
Total daily turnover	135.25	135.25

SILVER COMEX (100 Troy oz. \$/troy oz.)

	Close	3 mths
Close	342.75	511.73
Previous	342.75	511.73
High/Low	342.75	511.73
AM Official	342.75	511.73
Kerb close		
Open int.	342.75	511.73
Total daily turnover	342.75	511.73

CRUDE OIL NYMEX (42,000 US galls. \$/barrel)

	Close	3 mths
Close	18.15	18.15
Previous	18.15	18.15
High/Low	18.15	18.15
AM Official	18.15	18.15
Kerb close		
Open int.	18.15	18.15
Total daily turnover	18.15	18.15

CRUDE OIL LME (\$/barrel)

	Close	3 mths
Close	18.15	18.15
Previous	18.15	18.15
High/Low	18.15	18.15
AM Official	18.15	18.15
Kerb close		
Open int.	18.15	18.15
Total daily turnover	18.15	18.15

INVESTMENT TRUSTS - Cont[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Trust Name	Price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	99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AUTHORISED UNIT TRUSTS

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Authorised Unit Trusts		Unit Price		Units Held		Total Value		Dividend		Interest		Capital Gains		Other Income		Total Return		Risk Rating		Notes	
Trust Name	Manager	Current Price	Previous Price	Units Held	Units Held	Total Value	Total Value	Dividend	Dividend	Interest	Interest	Capital Gains	Capital Gains	Other Income	Other Income	Total Return	Total Return	Risk Rating	Risk Rating	Notes	Notes
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00	Low	Low		
ABF Unit Trust	ABF	1.00	0.98	100	100	100.00	98.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00							

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MANAGED FUNDS NOTES

Prices are in penny units unless otherwise indicated and are designated S with no prefix for U.S. dollars. Yields show for all buying expenses. Figures of certain older funds are based on the 12 months ending 12/31/80. Distribution rate of UK funds is per £100 of net assets. Plans: A Single premium insurance; B Guaranteed as a UK; Underwriting for Collective Investment in Transferable Securities; C Dividend prices include all monies except taxes; D Dividend prices include all monies except taxes and expenses; E Yield before Jersey tax; F Yield before tax; G Available to certificate holders; H Yield column shows estimated net yield increase, and on dividend.

For Funds in UK recognized: The regulatory authorities are the Securities and Investment Board, the Investment Committee, the Central Bank of Ireland; Isle of Man: Power Supervision Commission; Jersey: Financial Services Department.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar holds firm

Central bank intervention to support the dollar appeared to have worked yesterday as the US currency traded in a fairly stable range against the D-Mark and the yen, writes Philip Gannett.

The dollar closed yesterday in London at DM1.6682 against the D-Mark from DM1.6622 on Wednesday. Against the yen it finished at ¥102.695 from ¥102.905.

There was no sign of central bank intervention, with the market seemingly taking a breather ahead of the release of important US non-farm payroll data today.

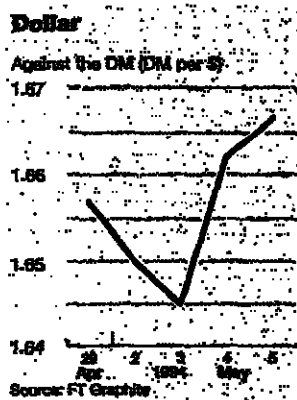
Few observers believe the dollar's woes are behind it. The focus of attention now is on what sort of follow-up activity can be expected. Options include further intervention, US or German interest rate changes supportive of the dollar, or market access measures in the case of Japan.

Elsewhere the French franc was firm after the Bank of France cut its intervention rate by ten basis points to 5.60 per cent. The peseta and the escudo were weak after the overnight arrest of the former Bank of Spain governor for tax fraud. Swedish and Austrian interest rates were also cut.

Analysts said the sight of up to 17 central banks operating in concert on Wednesday appeared to have "frightened off" the market. Mr. Akis Karayannis, head of foreign exchange at Lehmann Brothers, commented: "Markets will perhaps take on a central bank if it's on its own. But if more than three banks do something in the market, the market will be calmed."

Fresh impetus for the markets could come today with the release of labour market statistics. The market is anticipating a 300,000 increase in jobs. If the figure is less than anticipated, this would aggravate the dollar's woes by undermining the consensus view that another Fed tightening is imminent.

The market yesterday was concerned with trying to understand why the intervention had taken place, what it sought to achieve, and what more can be anticipated. Mr. Karayannis disputed the view



■ POUND IN NEW YORK

May 5	Label	Price	Close
1m	1.4890	1.4890	
3m	1.4890	1.4890	
1y	1.4890	1.4890	

that a change of trend was taking place. "Central banks are concerned about volatility. They do not change trends. I think they want to smooth the process, not to change the direction."

Mr. Steve Hannah, head of research at IBI International in London, commented: "The intervention by itself is helpful, but not a sufficient condition to arrest the dollar's downward move." He suggested that it needed to be supported by shifts in interest rates, with US rates rising and German rates falling. Attention will be on the Bundesbank council when it meets next Wednesday to see whether it cuts the discount rate.

One possible complication for the Bundesbank in supporting the dollar is that this initiates the money supply, already well beyond its target. The Bundesbank will hardly welcome further complications in an area that has already caused embarrassment.

If the bank chooses to counteract this effect by draining money from the system, it will put upward pressure on money market rates at a time when it is hoping to ease policy. If the intervention is left unsterilised, this will put downward pressure on money market rates.

The fact that intervention would then be working with the grain of money market

trends - supporting lower rates in Germany and higher rates in the US - leads some analysts to argue that the intervention has a good chance of succeeding.

■ The D-Mark was firmer against most European currencies yesterday. It closed at FF3.428 against the French franc from FF3.424.

The Portuguese escudo continues to suffer from the fall-out of the political scandal in Spain. It finished slightly weaker at Esc10.2 against the D-Mark. The Spanish peseta, however, recovered some ground after prime minister Mr. Felipe Gonzalez said he had no intention of resigning and would continue as head of government.

■ The after-effects of Wednesday's intervention was seen in German money markets yesterday, with call money easing to 5.35/5.45 per cent from 5.45/5.55 per cent. Analysts said this reflected the anticipation of rate cuts, sparked by comments earlier this week from Bundesbank council members, as well as the expectation of a large inflow of cash from the currency intervention.

This bullish sentiment was also evident in the futures market, with the June euro-mark contract setting at 95.05, thirteen basis points up. Volumes were good with over 47,000 lots traded.

Sterling futures also finished higher. The June contract closed at 94.59, up from 94.56. Volumes were fairly light, with only 9,432 lots traded. In the UK money market, the Bank of England provided £350m of late assistance. Earlier the Bank had provided £375 assistance, after forecasting a £350m shortage.

Sterling had a steady day, tracking the dollar, and finished at DM2.4969 from DM2.491. Against the dollar it was barely changed at \$1.4958 from \$1.4958.

■ OTHER CURRENCIES

May 5	Label	Price	Close
1m	153.76	153.81	153.80
3m	153.76	153.81	153.80
1y	153.76	153.81	153.80

POUND SPOT FORWARD AGAINST THE POUND

May 5		Closing mid-point	Change on day	Broker spread	Day's high	Mid low	One month rate	Three months rate	One year rate	Bank of Eng. Ind.
Europe	(Sch)	17.5899	-0.0044	532	65	17.5879	17.4770	17.5607	0.3	113.7
Austria	(Sfr)	11.5899	-0.0044	599	39	11.5832	11.5048	11.5124	-0.4	51.844
Belgium	(Bfr)	37.5899	-0.0044	599	39	37.5832	37.4770	37.5607	-1.2	9.794
Denmark	(DKr)	5.1704	-0.0039	67	782	5.1694	5.1694	5.1694	-0.1	0.887
France	(FFr)	16.1018	-0.0039	117	10.327	16.1018	16.1018	16.1018	0.3	114.0
Germany	(Mk)	2.4693	-0.0025	632	00	2.4693	2.4693	2.4693	-0.5	5.2926
Greece	(Dr)	367.378	-0.846	942	813	367.378	365.127	365.127	0.1	2.4784
Ireland	(Ir£)	2.4693	-0.0025	990	977	2.4693	2.4693	2.4693	0.1	2.4784
Italy	(L)	2.4693	-0.0025	990	977	2.4693	2.4693	2.4693	0.1	2.4784
Netherlands	(Gld)	2.4693	-0.0025	990	977	2.4693	2.4693	2.4693	0.1	2.4784
Norway	(Nkr)	2.4693	-0.0025	990	977	2.4693	2.4693	2.4693	0.1	2.4784
Portugal	(Esc)	257.217	-1.572	948	287.49	257.217	254.854	254.854	-1.5	20.947
Spain	(Pta)	205.284	-0.083	275	48	205.284	205.284	205.284	-3.1	20.947
Sweden	(Skr)	11.5899	-0.0044	599	39	11.5832	11.5048	11.5124	-0.4	51.844
Switzerland	(Sfr)	2.4693	-0.0025	990	977	2.4693	2.4693	2.4693	0.1	2.4784
UK	(£)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
USA	(\$)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Japan	(¥)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
South Korea	(Won)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Taiwan	(Nt\$)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Thailand	(Baht)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Philippines	(Peso)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Malaysia	(Ringgit)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Indonesia	(Rupiah)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Singapore	(Dollar)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Brunei	(Dollar)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
East Africa	(Shilling)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
South Africa	(Rand)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
India	(Rupee)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Pakistan	(Rupee)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Bangladesh	(Taka)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Sri Lanka	(Rupee)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Maldives	(Rufiyaa)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Yemen	(Rial)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Oman	(Rial)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
UAE	(Dirham)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
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Jordan	(Dinar)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
Lebanon	(Pound)	1.2870	-0.0046	996	975	1.2870	1.2870	1.2870	-0.8	1.2895
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RECRUITMENT

Jobs: The way that psychometric tests are applied is attracting renewed scrutiny Laying down the laws of selection

Why do recruiters place so much store on psychometric testing? It is a question puzzling many would-be barristers who, in spite of sometimes dazzling academic records, have failed to win a place at the Bar law school this year.

One of the students who failed the selection system, which included the use of a critical reasoning examination - a type of ability test - was on Tuesday given leave to have a judicial review of the decision. This will examine the revised entry procedure, used this year for the first time in awarding the 800 places on the one-year vocational course that is the main requirement for entry to the Bar.

The irony is that the new system, devised partly to sift out perceived prejudices, particularly against women and ethnic minority candidates, appears to have given minorities no better chance of entry and perhaps less than before.

There may be question marks, it seems, over the design of the selection system which was intended to broaden the basis of recruitment to the Bar. The motive was laudable. But some believe the law school should no longer retain

its monopoly as the only route to the Bar.

The Council of Legal Education, which runs the course, is now looking at the possibilities of making changes to the way the tests are implemented. It may not have been unreasonable, however, to introduce additional selection criteria, looking beyond the possession of university degrees.

Part of any new test might involve knowledge of the real world with multiple choice questions such as "Is Gaza (a) a city in Italy, (b) a place where Palestinians live, or (c) a footballer?" It is only two years ago, you may recall, that the High Court judge, Sir Jeremy Harman, asked "Who is Gaza?" during a court hearing.

Sometimes the way that tests are applied can make little sense. British Rail was last year found to have discriminated against Asian rail guards who wanted to be train drivers. They were given verbal tests which they failed. When it was pointed out that verbal skills

were ranked higher in the requirements for the jobs they were already doing than the jobs they had applied for, the industrial tribunal had no hesitation over ruling in their favour.

The problem with psychometric tests, as in many selection procedures, is probably one of balance in the way they are used. Finding that balance, given the continuing debate about the effectiveness of testing, is proving difficult and causing confusion among managers interested in exploring such methods.

Psychometric testing is divided into two areas - ability tests and personality tests or questionnaires. While ability tests in themselves appear to have widespread support among psychologists, there is dissenting opinion about the use of personality testing to measure performance (personality criteria were not used for the bar exam).

Steve Blinkhorn and Charles Johnson, occupational psychologist at Psychometric Research

and Development, a St Alban's consultancy, earned the opprobrium of many of their fellow practitioners three years ago for casting doubt on the use of personality testing to predict job performance. They accused those who applied such tests of using pseudo science which, they said, "bamboozles an unsophisticated public".

It was strong stuff, particularly since it criticised some of the leading tests on the market. In the April edition of *The Psychologist* magazine they buttressed their arguments with further claims that "proponents of the use of personality tests for occupational selection continue to play fast and loose with statistical methods, and to make claims which do not stand up to close inspection."

Their latest critique in *The Psychologist* concluded: "There is no body of public knowledge relating scores on personality tests taken as part of a selection procedure to objective criteria of later performance sufficient to form a basis of routine

use of the tests, despite 40 or more years of research. Yet their routine use is widespread and growing."

Their argument is contradicted by leading test publishers such as Saville and Holdsworth. Roy Davis, the company's head of marketing, said the value of personality questionnaires as a predictor of success in a job was "statistically proven" but, he added, "they must be used with other evidence".

No wonder some recruiters have reservations. Many, however, do not. Employers appear to be placing increasing trust on the recruitment skills of their personnel departments who in turn are often eager to embrace the latest testing methods. "Going on tests and training courses is like getting a badge in the boy scouts for personnel officers," said Blinkhorn.

He suggests that psychometric testing is being commandeered by personnel officers in order to better define their professional expertise. If this is

true there may well be a danger of too much weight given to testing in selection. It should not become the altar on which budding careers are sacrificed.

Whatever the outcome of the judicial review in the Bar selection case, the argument for a more considered evaluation of tests seems convincing.

● A report released by KPMG Peat Marwick last week showed that companies still had some way to go to bring their recruitment of non-executive directors into line with the requirements of the Cadbury report on corporate governance.

The finding that some 51 per cent of appointments were personal selections of the chairman might have raised a few eyebrows among Cadbury devotees but would have caused little surprise in many boardrooms more versed in the reality of selection.

That reality was underlined by other KPMG findings which

showed that 12 per cent of appointments were on the recommendation of an investment institution, 12 per cent by another non-executive director, 11 per cent sourced independently through a recruitment consultant, 13 per cent from a nominations committee and just six per cent through Probed, the search specialists for non-executive directorships. The reason the percentages add up to more than 100 is that some replies gave multiple sources.

The fact that KPMG had done no specific analysis of women will have dismayed those who have been championing women as an important source of fresh blood for boardrooms.

Other findings of the report suggest that, while many companies may be attracting the quality of non-executive that they deserve, it might sometimes fall short of being the quality they require.

Nowhere is this more evident than in non-executives' use of information sources. When

they were asked from which sources they sought information prior to their appointment, many relied heavily on information from the company itself. Even after their appointment few of them did much in the way of contacting external sources beyond talking to the auditors.

Less than a third of them said they consulted the press, spoke to brokers, bankers or institutional shareholders. Less than 10 per cent bothered to consult Probed and hardly anyone got in touch with the Confederation of British Industry.

The only group of non-executives more likely to look outside for information both before and after their appointment, it said, were those who had been recommended by an investment institution.

The report says rather delicately: "This inward focus when seeking information prior to the appointment could suggest either a high degree of existing knowledge, complacency or lack of faith in external advisers." It could also reinforce the jaundiced belief that a non-executive directorship can be money for old rope.

Richard Donkin

Worries

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SENIOR CORPORATE BANKER

£40-£60,000

In order to further capitalise upon their established presence in the UK corporate market, our client, a highly respected and substantial European Bank, seeks to appoint an experienced corporate banker to take responsibility for an existing portfolio of blue chip clients. The successful candidate is likely to be in his/her late 20's to mid 30's and to have gained at least 3/4 years experience in handling major UK corporate accounts, across a wide industry spectrum which will have included the utilities sector. A sound understanding of capital market products and a credit background are also essential for this role.

Williams Wingfield
Executive

Carr-Lyons Search & Selection Limited trading as Williams Wingfield Executive

PARIBAS CAPITAL MARKETS

Credit Risk Management

Banque Paribas is a leading international banking group operating in over fifty countries worldwide, with particular expertise in four core activities: capital markets, corporate banking, advisory services and asset management.

Paribas Capital Markets is a significant part of the bank's global operation, and as a genuinely international business, draws on the expertise of over 1500 staff in London, Paris, New York, Tokyo, Frankfurt, Geneva and Singapore. It provides a comprehensive range of products and services in the bond and equity markets, currency and interest rate swaps and options, fixed income and equity derivative products and specialised financial instruments.

The Capital Markets Credit Department is responsible for conducting the entire credit and risk management process for all capital market transactions, with teams in London, Paris, New York, Tokyo and Singapore. As a result of continued growth the Capital Markets Credit Department is looking to strengthen its teams in both London and Paris.

Paris

Based in Banque Paribas' Head Office, you will be responsible for establishing relationships with the senior management involved in credit decisions, determining trading limits and supporting credit applications through the credit committee. In addition, you will undertake analysis on a financial, country and products basis. The successful candidate, likely to be aged 28-36, will have a minimum of four years credit experience and display a sound knowledge of capital market products. Candidates should have the gravitas and maturity, combined with excellent communication skills, to command credibility at senior level. Fluency in French is essential.

London

Working in a small team, you will be responsible for analysing UK and Scandinavian companies to establish trading limits for all types of counterparties. You should have a minimum of two years credit analysis experience gained within a leading financial institution, strong communication skills and a reasonable understanding of capital market products.

Candidates for both positions must be professional, confident, articulate and able to deal effectively with a range of complex financial products. The salary packages will reflect the importance attached to these positions and will be commensurate with experience.

For information on either of these positions please contact our retained consultant Tim Smith on 071 831 2000 or write to him with full career details at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax 071 405 9649. All enquiries will be handled in the strictest confidence. Please quote reference 176912.



Michael Page City
International Recruitment Consultants
London Paris Amsterdam Düsseldorf Sydney

INTERNATIONAL CAPITAL MARKETS SENIOR FIXED INCOME ANALYST

COMMERZBANK AG, London Branch

Commerzbank AG, one of the three major banks in Germany and an active participant in global financial markets is developing further its capabilities in the International Capital Markets. Specific emphasis is being given to the role of London Branch, which will be the Group's European trading centre for most non-Deutschmark fixed income products. As part of this planned and co-ordinated growth an opportunity has been created for a Fixed Income Analyst to work in London.

The ideal candidate is likely to possess an Economics Degree with a good understanding of fixed income related mathematics and have several years experience working in an analysis-orientated area of a large investment bank or securities house. Particular emphasis will be given to applying theory to practical aspects of the market, geared towards servicing major institutional customers and generating business flows.

The remuneration package will consist of a competitive salary plus the usual benefits associated with a large bank and a performance related bonus. Fluency in German will be an advantage, not a pre-requisite.

Individuals who consider themselves to have appropriate qualifications and who would like the opportunity to discuss the matter further should write to our Personnel Manager, Miss Vanessa Lewiston, Commerzbank House, PO Box 286, 23 Austin Friars, LONDON EC2P 2JD enclosing a copy of their CV. All applicants can be assured of complete confidentiality.

COMMERZBANK

German knowhow in global finance



UK Capital Markets Origination

London

Our client is a leading US investment bank, with a high profile in Derivatives, Treasury and Capital Markets. They are currently seeking an outstanding senior marketing professional to enhance their presence at a strategic level within the UK Corporate community.

The position will involve originating business from UK corporates across a broad range of capital market products including private placements, eurobonds, asset securitisation, tax efficient structures and restructurings. The successful candidate will be technically and analytically strong and be capable of contributing to the creation of new products across assets and liabilities with a focus on developing highly structured transactions.

Ideal candidates, probably in their mid 30s, will have the following attributes:

- At least six years experience of marketing to UK corporates;
- A proven track record of new business development;
- Instinctive understanding of derivatives, treasury and capital market products;
- Outstanding interpersonal and presentation skills;
- Strong academic qualifications.

This is an important and high profile role. The successful candidate will be rewarded with an excellent remuneration package.

Interested candidates should in the first instance write to Karina Pietsch, enclosing a full curriculum vitae, at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Please quote reference 188363.



Michael Page City
International Recruitment Consultants
London Paris Amsterdam Düsseldorf Sydney

DERIVATIVES ASSOCIATE / TRADER

£neg plus Banking Benefits

Global derivatives arbitrage team seeks an MBA graduate or strong undergraduate to start as an associate/trader for the London Desk. The candidate needs to be motivated, analytical, highly assertive, and in possession of strong interpersonal skills.

Training or experience in derivatives is a plus.

If you think you have all the necessary qualities to succeed, please send your curriculum vitae to:

Nicky Garrod, Recruitment Manager
Canadian Imperial Bank of Commerce
The Cottons Centre, Cottons Lane, London, SE1 2QL

Risk and Relationship Management

Our client is a major US Bank providing a full and innovative range of services to its clients throughout the world. It is now looking to add to its team of risk managers providing risk assessment covering Europe's financial institutions and related transaction services. They now seek to recruit a number of professionals to focus on

several different areas. Candidates must be proactive team players, able to reach and defend decisions while balancing risk constraints with revenue potential. These are excellent opportunities to work for a highly prestigious Bank in a fast moving and ever changing business environment.

Investment Management

Focusing on the investment management sector, this role involves a high level of relationship management and client contact in addition to risk analysis. The Bank offers a range of credit products to its clients, including FX, futures, options, derivatives, custody services and securities lending. The appointment entails analysing the risks associated with counterparties and structuring and negotiating credit proposals. You will also be responsible for developing new business relationships based on understanding customer requirements and translating these to product specialists. A graduate with at least 5 years experience of developing and maintaining relationships, ideally with financial institutions, should have excellent presentation and communication skills and the ambition and motivation to succeed in this growth area.

Insurance

Covering designated sectors of the insurance industry, you will conduct financial analysis and structure, recommend and manage credit facilities through review of companies from both an individual and sectoral perspective. You will identify and assess risks as they arise within a substantial portfolio, liaising with clients to gather information as required. A graduate, you should have formal training from a high calibre bank and at least 5 years credit experience with a proven analytical track record. Previous knowledge of the insurance sector would be useful but is not a prerequisite. The insurance industry represents a key franchise for the Bank, which has a large market share in each of the broking, reinsurance, direct property/casualty and life sectors.

Securities and Trade Services

The Bank has developed a strong business in the provision of securities and trade related services to financial and other major institutions. Two positions now exist to focus on each of these areas. Key responsibilities include: establishing the risk criteria specific to each product; analysing and quantifying these risks; developing and enhancing methods to monitor product risk; conducting training sessions with various areas in the Bank to increase awareness of specific risks related to securities and trade products. Candidates need knowledge of relevant products such as trade services and structured trade finance, global custody and other securities products, with the capability to conduct wide ranging risk assessment, and the ability to work effectively in a team forming strong relationships internally. Individuals with analytical, systems, operations or asset structuring backgrounds would be of interest.

For information on these appointments, please contact our retained consultant Tim Smith, or write to him with full career details. Please quote ref. 155682. All enquiries will be handled in the strictest confidence.



Michael Page City
International Recruitment Consultants
London Paris Amsterdam Düsseldorf Sydney

Michael Page City, Page House,
39-41 Parker Street, London WC2B 5LH.
Telephone 071 831 2000.
Fax 071 405 9649.

Economic Development and Property Department Northern Gateway Project Manager

£19,950 - £21,783

Two Year Fixed Term Contract

The City Council is looking to appoint a Northern Gateway Project Manager as part of its major initiative to develop Hull as a major European port, business, and investment location. You will develop, implement and manage the Council's Northern Gateway campaign, playing a leading role in realising one of the most exciting opportunities for building the future prosperity of the City of Hull.

Other main duties are:

- Developing the commercial and public policy credibility and effectiveness of the campaign, built on trade, logistics, investment, and Hull's role and location in the new Europe.
- Focusing the Council's efforts to achieve the benefits of the Northern Gateway concept.
- Building effective coalitions and partnerships to boost trade and jobs in Hull and to tackle key trade and development issues in the British Isles and the rest of Europe.

You must have:

- A good understanding of commercial realities in the private sector and public policy making and implementation at a senior level.
- Well developed and effective abilities in project development and management, goal oriented network building, team working, negotiation and deal-making, and getting other people to deliver.
- Enthusiasm, commitment, initiative, focus, stamina and good oral and written communication skills.
- A full driving licence and a reliable vehicle for business use (a lease car may be available).
- Competence in at least one other European Union language other than English, preferably French or German.



Application forms and further details are available from the Chief Personnel and Management Services Officer, Municipal Offices, Tillyott Street, George Street, Hull, HU2 8AA, telephone (0482) 582287 (24 hour answering service) to whom they should be returned by THURSDAY 2ND JUNE, 1994.

An Equal Opportunity Employer

Outstanding appointments in Marketing Support

Global Bond products in a truly global environment

London and Paris

to £50,000 + bonus

Our client, the Institutional Asset Management arm of an internationally respected and highly profitable Investment Bank, continues to grow rapidly.

First class front line sales and marketing teams require equally strong professional support and these two key roles are pivotal to further expansion in both London and Paris: our stringent selection criteria will reflect the importance of the positions.

Successful candidates will enjoy (and we use the word advisedly) a broad variety of work including new product development and product launches as well as the normal range of marketing disciplines. It follows that candidates (probably in their late twenties/early thirties) will have gained a rigorous knowledge of the Bond markets within either a fixed income portfolio management area, research or trading environment over a four or five year period. Working with world-wide offices, an ability to relate to differing cultures is of paramount importance. In the case of the Paris-based position, written French language skills are a prerequisite.

Other personal traits required include first class presentational skills, energy, determination, and the ability to take advantage of substantial autonomy.

Career advancement opportunities are exceptional and the salary package has been designed to attract the best. Please send full career details, quoting Ref: A 2040, clearly indicating your preferred location to Malcolm Lawson, at Codd Johnson Harris, Human Resource Consultants, 12 New Burlington Street, London W1K 1FF. Telephone 071-287 7007 during the working day or 0223 485330 in the evenings.



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CORPORATE TREASURY/STRATEGIC PLANNING c£50K + Excellent Package

Our client is a highly prestigious US investment house with current needs for a person to join their corporate treasury, to be responsible for various strategic financial planning functions. You will provide solid analytical support to the Finance Committee liaising with both senior management and business units. Capital adequacy planning for the Firm's European subsidiaries will require monitoring of regulatory capital developments in several jurisdictions thus requiring travel.

You will be in your late 20's/30's and will have intelligence, exceptional analytical, conceptual and presentational skills. Ideally, you will have worked in either a corporate treasury, or a financial planning consulting position or with a major financial institution. In addition, you will demonstrate dedication and be very keen to advance to higher levels of management responsibility. The candidate with fluency in more than one European language will be given preference.

For further information, please contact Michele MacPherson on 071-623 1266

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax. 071-626 5299

JONATHAN WREN EXECUTIVE



A WORLD OF OPPORTUNITIES AT NIKKO EUROPE

Nikko Europe Plc is the European headquarters of Nikko Securities, one of the world's leading securities firms and investment banks. Established in London in 1964, Nikko Europe provides brokerage and investment banking services in equities, bonds and derivatives, serving institutional clients throughout Europe, Africa and the Middle East.

Nikko Europe is at the forefront of the Group's global strategy to enhance its reputation and range of services in the international financial markets.

Capital Markets – Originations

As a result of an internal promotion a marketing officer is now required for capital markets originations in Germany and Austria. In addition there are opportunities for an experienced marketing officer within our frequent borrower group, and for a privatisation specialist within our equity origination team.

Corporate Finance (Mergers and Acquisitions)

Applications are invited from people with 3-4 years corporate finance experience including a strong M+A component, to join our busy and successful group. Marketing and transaction skills are essential. A professional qualification in law or accountancy would be an advantage.

Japanese Equity + Equity Derivative Sales

Sales staff with at least three years experience are required to sell to institutional investors. Nikko has outstanding research and product facilities in London to add value to stock recommendations.

Derivatives

As part of our commitment to the development of a comprehensive equity and fixed income derivatives department we require traders and marketers with experience in options of DAX, Nikkei, CAC, FTSE, etc. or JGBs, Bunds, OATs, T Bonds or other fixed income products, preferably in the OTC market.

As part of a planned programme of major expansion of our London based operation, we are offering exceptional career opportunities to market professionals in a number of key business areas. Prospects for career progression are excellent as the company is committed to a policy of placing responsibility for future growth and success on the skills and knowledge of locally appointed staff.

Equity Analysts

Our group of analysts work closely with our sales team and also provide support for equity originations and M+A. We require additional analysts to cover a variety of European Sectors to include food manufacturing, banking, property and construction, telecommunications, conglomerates and southern European country analysis.

Institutional UK + European Equity Sales

Energetic and successful brokers are sought to develop our institutional client business. Applicants should be active in the market, selling UK or European equities to clients throughout the UK or continental Europe. At least five years experience is preferred.

Business Planning

To further the company's business expansion, an experienced business planner with a securities background is sought to join a small team reporting directly to the chief executive.

Appropriate salaries will be negotiated individually for each successful candidate and a full range of banking benefits are provided. Please apply in writing to Alastair Wood, Nikko Europe Plc, 55 Victoria Street, London SW1H 0EU.

Nikko Europe Plc

KB
KB FINANCIAL SERVICES (IRELAND)

Shipping Finance Senior Executive

KB Financial Services (Ireland) (KBFSI) is the international asset and structured finance arm of Kredietbank N.V. and is based in the International Financial Services Centre in Dublin.

It is expanding and upgrading its involvement in world-wide shipping finance and is seeking to recruit an experienced and successful banker in this sector to assist in this regard.

The position will involve responsibility for the development of KBFSI's business in this sector and for marketing, sourcing and completing appropriate transactions.

The person appointed to the position is likely to have had significant experience in the banking industry including a minimum of 5 years in shipping finance and to hold a professional qualification / university degree.

Age level is likely to be in the mid to late 30's and the position is based in Dublin.

The remuneration package will reflect the importance of the position and will be attractive.

Please write in strict confidence enclosing details to:

Mr. L. Donlan
Executive Director
KB Financial Services (Ireland)
91 Merrion Square
Dublin 2
Ireland.

MERRILL LYNCH ASSET MANAGEMENT FIXED INCOME PRODUCT MANAGER

MLAM, the investment management division of Merrill Lynch & Co, with over \$125 billion of global fixed income assets, is seeking a London based fixed income product manager to expand our European and Middle Eastern institutional business. As the position will interface closely with portfolio managers and marketing specialists, we are seeking a candidate with a solid background in fixed income portfolio management as well as possessing excellent communication and teamwork skills. Advanced University degree preferred. Please respond to Mr Richard C. Kilbride, Merrill Lynch Asset Management, P.O. Box 9011 Princeton, N.J. 08543-9011 USA. Fax # (609) 282 3991.

Merrill Lynch



PROJECT FINANCE EXECUTIVE Challenging Role in Growth Environment

Our client, a successful and profitable FTSE top 100 UK plc, is continuing its international expansion via joint ventures, capital investment and acquisitions overseas.

As a result of this continued growth, there is a need to strengthen further the Project Finance Team under the Project Finance Manager.

Working as a key member of this small flexible team, you will be involved in all aspects of financing overseas projects from the early stages through to completion. Specific responsibilities will include provision of advice on and co-ordination of the development,

arrangement and negotiation of debt facilities on behalf of the Company.

Suitable candidates are likely to be graduates aged between 25 and 35, who ideally have direct experience in project finance. Strong analytical and spreadsheet skills are required.

Excellent communication and presentation skills combined with a confident and credible manner, will be necessary to handle the many inter-relationships at senior level both internal and external to the organisation.

Although London based a proportion of time will be spent travelling to overseas locations, often at short notice.

Individuals who feel they have the skills and experience to rise to the challenge of this role should send a copy of their CV, together with a note of current salary, to Shirley Knight at FMS, 5 Bream's Buildings, Chancery Lane, London EC4A 3DY.

A MEMBER OF THE PSD GROUP

CENTRAL
LONDON

£30-£40,000

LAWYER

Salomon Brothers, one of the world's leading international investment houses, is seeking an additional Lawyer for its London Legal Department.

The Lawyer will provide advice on a broad range of European financial services issues (arising out of litigation and corporate affairs) with a European Community dimension. This is a highly visible position that will involve regular contact with a wide range of internal departments and individuals within the Firm along with external counsel located throughout the world.

Candidates should have a strong academic background and familiarity with UK law and regulations; as well as a general understanding of relevant US law and regulations. At least four years' relevant experience (ideally more) is desirable either with a comparable securities firm or with a leading law firm. Fluency in at least one other European language would be a strong advantage.

Salary and benefits will be commensurate with experience.

Interested applicants should write enclosing a complete curriculum vitae to Isabel Doverly, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB.

Salomon Brothers

Based
London
Highly
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and
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INVESTMENT MANAGEMENT MARKETING

AMP Asset Management is a major City-based fund management operation, having £18 billion in funds under management, invested in equities, bonds and property in over 20 countries worldwide. We are part of the worldwide group of the Australian Mutual Provident Society. Our success has led us to expand our marketing team and we are now seeking a Marketing Executive to assist in obtaining further UK pension fund and institutional business. You would be involved in the acquisition of new business by answering pensions consultants' investment management questionnaires and assisting in the research and preparation of presentations to potential clients. You will also liaise with print, public relations and advertising suppliers.

You must have at least 18 months' experience of pensions consultants' questionnaires; and will be computer literate, possess good organisational and communications skills and be able to work to deadlines. You will be of graduate calibre and probably aged between 23 and 30. A competitive salary is offered together with attractive benefits.

Please apply in writing with your CV to Roger Hunt, Director of Marketing, AMP Asset Management plc, 55 Moorgate, London EC2R 6PA by 18 May 1994.



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The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone:

Philip Wrigley on
071 873 3351

VENTURE CAPITAL RESIDENT DIRECTOR Eastern Europe

Excellent Package

European Development Finance Ltd is a company recently established by a small group of professionals who are applying their considerable experience in investment in developing countries to setting up development capital funds in Eastern Europe.

The first fund of not less than USD 20 million is being established with the support of international agencies. It will make equity investments in newly privatised businesses.

Working with British based directors, the successful candidate will be responsible for the full range of venture/development capital activity from initial analysis of prospective investments through to securing successful exits for the fund.

The ideal candidate will be commercially minded with substantial experience gained from leading deals and managing a portfolio in a venture or development capital organisation. Experience of working abroad would be an advantage.

An attractive salary and bonus package is envisaged.

Please write to Michael Wood enclosing full CV at the address below.

EUROPEAN DEVELOPMENT FINANCE LTD
Grovenor House, 141-143 Drury Lane
London WC2B 5TD

OPTIONS TRADER £60,000 plus Banking Benefits

Our client is a leading international investment bank looking to develop their presence on the LIFFE market, particularly with reference to single US stock options. Your task will be to develop a market making service in single US stock options with particular reference to the Pacific time zone. Candidates must be degree educated and must have at least four years experience of trading on the Pacific exchange.

Please send cvs to Ron Bradley, Head of Executive Recruitment

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Tel. 071-623 1266 Fax. 071-625 5299

JONATHAN WREN EXECUTIVE

TREASURY OPERATIONS

Finest German £15k + Big Firm
Exceptional opportunity to
Join the Treasury Dept within this
prestigious European Bank. Varied role
including marketing, direct customer
contact and presentations. Min 12 mths
exp. of M&A/K and a sound knowledge
of the German Banking System are
essential. Personal attributes will be a strong
mathematical and banking background
with excellent interpersonal skills.
Age mid late 20s.
Call Steve London Apple on
Tel 071 583 0158 Fax 071 353 9649

THE TOP OPPORTUNITIES SECTION

For senior management positions.
For information please contact:

Philip Wrigley
071 873 3351

BANK RISK MANA
CONSULTANT

HEAD OF FIXED INCOME HONG KONG

Highly Competitive Package + Banking Benefits

Our client ranks internationally as one of the largest and most prestigious securities houses. It is currently planning to expand its fixed income operation in Hong Kong and is seeking to recruit a highly motivated and ambitious individual who will head this sector.

The role would suit a leading debt professional with a proven track record in fixed income trading, sales or syndication from a major securities house in London, New York or Hong Kong. Candidates must have a thorough knowledge of all aspects of the international bond market. They should have the ability to think strategically about the future growth and direction of the debt business and ways in which market opportunities may be exploited.

Ideally aged 30-45, candidates will have excellent presentation and marketing skills and be able to demonstrate the drive and determination to succeed in this fast-moving and exciting market.

Interested candidates should send or fax full curriculum vitae, including details of current remuneration package, to Carol Jardine, Managing Director, Whitney Selection, 17 Buckingham Gate, London SW1E 6LB (fax 071-233 9334), quoting reference WS/69/1.



WHITNEY
SELECTION

ACCOUNT EXECUTIVE - GLOBAL CUSTODY to £40,000

One of the world's most prominent global custodians is currently expanding its market penetration in Europe. As a result it has an outstanding opportunity for a Senior Account Manager to concentrate on delivering a high quality service to its clients. Candidates are sought from a highly customer driven background with a strong technical understanding of securities operations. Language skills would be especially attractive as managers will be expected to build and support relationships in Europe. Please contact Elizabeth Williamson

Fax
071-626 9400

MARKETING MANAGER - UK CORPORATES £40,000

Our client is a successful City bank with an impressive portfolio of contacts amongst major corporates both UK and overseas. An increase in profitable lending activity in the UK has created a need for an additional Marketing Officer. Candidates should see themselves as entrepreneurial bankers, able to develop opportunities from widely differing sources. However an ability to display strength and depth in credit and risk analysis will be a factor in the selection. Ideal age 27 to 35. Please contact Stephanie Devine

CREDIT ANALYST - INSURANCE INDUSTRY £30,000

Our client is one of the strongest European Banks. Its financial institutions division has been particularly successful in generating business from the UK insurance sector. As a result of this recent growth there is a requirement for an additional, well trained credit analyst, to join the team. Candidates, in their mid to late twenties, should be eager to take on a wide range of duties, including supporting the marketing and product development effort. Please contact Brenda Shepherd

QUANTITATIVE ANALYST - SPECIAL PRODUCTS £30,000 to £40,000

This is an outstanding career opportunity with a major international banking organisation. You will require a degree in a numerate discipline, preferably enhanced by a post-graduate qualification and some investment banking experience. Your responsibilities will be to research new capital markets, cash management and derivative products to provide the bank's clients with sophisticated, systems-driven solutions to their hedging problems. Please contact Tony Tucker

Telephone
071-626 1161

SHEPHERD LITTLE

DEPUTY DIRECTOR - INVESTMENT

MONTE CARLO

My client, a worldwide group, with interests in finance and shipping is looking to recruit a high calibre manager to support their international investment activities.

Reporting locally to the Director responsible for Investment and Shipping, you will provide the interface with external fund managers, brokers and investment specialists, and be responsible for their overall control and direction.

You will maintain an up to date knowledge of the global economic and political factors likely to impact on the group's investment performance, and ensure that this knowledge is shared, and acted upon in the most appropriate fashion.

A graduate, preferably in a business related discipline, you will have a sound professional knowledge of investment strategy and financial markets, gained either in a senior line role, or as a consultant/adviser.

You must have the maturity and stature to build a long term relationship with the key 'clients' of the group, and be able to respond quickly and concisely to their needs. Above all, you must have the personality, attitude and approach to fit quickly into a small, well balanced, senior management team.

Although the office working language is English, French would be a distinct advantage.

If you are interested in this career opportunity, please send your application to the address below, or alternatively, contact me on Luxembourg (352) 40 63 58 for more information.

All applications will be treated in the strictest of confidence, and should be accompanied by a full Curriculum Vitae, together with current salary details, and a contact telephone number.

Nigel Plumpton, Senior Partner, Plumpton, Morgan & Partners
BP 2740, L-1027 Luxembourg

Teaching and Counselling Opportunities (part-time)

WITH THE OPEN BUSINESS SCHOOL

Are you interested in working with highly motivated managers who are making a considerable personal investment in studying for a management qualification in their spare time?

The Open Business School has approximately 20,000 registrations a year from such managers on its Certificate, Diploma and MBA programmes and has vacancies for part-time tutors in many areas but particularly finance throughout the UK and in major European cities. In particular, we are looking for tutors resident near Barcelona, Brussels, Düsseldorf, Frankfurt, Geneva, Hamburg, Lisbon, Luxembourg, Milan, Munich, Paris, The Hague, Vienna and Zurich.

The tutor's role is to run a limited number of group tutorials, mark and comment on assignments, provide occasional telephone support and teach at residential schools. These activities generally take place outside normal working hours.

The ideal tutor has considerable management experience, teaching or training experience and a relevant management or professional qualification. He or she has skills in facilitating small group learning and enjoys developing managers.

Appointments will be made in early Autumn for courses commencing November 1994 (Certificate and Diploma) and February 1995 (MBA).

To obtain the application package, please send your name and address on a postcard to:
The Tutor's Office (Ref: OBS/FT),
The Open University, PO Box 473,
Walton Hall, Milton Keynes MK7 4BL.

As part of the University's Equal Opportunities Action Plan we are striving to provide a barrier-free working environment and we therefore welcome applications from disabled people.

Equal Opportunity is University Policy



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CORPORATE FINANCE EXECUTIVE

per il proprio settore Mergers & Acquisitions di Londra, che parteciperà direttamente nell'analisi ed implementazione di operazioni "cross-border" di M & A.

Il candidato possiederà una laurea ed avrà maturato un'esperienza di 1-2 anni nei settori M & A, revisione, consulenza, o analoghi, di primarie strutture.

Il candidato dovrà essere fluente in Italiano ed Inglese.

Si prega di inviare un C.V. e dettagli di retribuzione attuale a Box A2018, Financial Times,
One Southwark Bridge, London SE1 9HL.

CHIEF EXECUTIVE FINANCE DIRECTOR THE ABOVE TWO POSITIONS SOUGHT FOR EXPANSION INTO UK BY U.S. PUBLIC COMPANY.

Please reply to Box A2021, Financial Times
One Southwark Bridge, London SE1 9HL.

Bloomberg BUSINESS NEWS

Editors

Global News Service

Based London

Bloomberg Business News, a 24-hour global news service, seeks experienced editors for its London bureau.

Qualified editors will have at least three years experience at a top financial news service or newspaper and will have in-depth knowledge of the business world and financial markets of at least one major European country.

Candidates with strong knowledge of London's financial markets and U.K. companies are especially sought.

Depending on experience, responsibilities will range from line-editing copy to making assignments and managing a reporting staff that files from 12 European bureaus through a central editing desk in London.

Interested applicants should send or fax resumes and any clips to The Freshman Consultancy, quoting reference FT/6/94.

FRESHMAN

The Freshman Consultancy, Coppergate House, 16 Bruns Street, London E1 7NJ.
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For further details, please contact the Human Resources Manager, Rudolf Wolff and Co. Ltd, Plantation House, 31-35 Fenchurch Street, London EC3M 3DX. Telephone 071 626 8765.



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ACCOUNTANCY COLUMN

Industry's cost-cutting pains US firms

Richard Waters reports on KPMG's attempts to cope with the malaise which still exists in the sector

If accounting firms in the developed world have had a tough time of it so far in the 1990s, then those in the US have suffered more than most. And if you were to pick a firm that exemplifies the pain of the past four years or so, you could hardly do better than KPMG Peat Marwick.

In 1983, Peat reported revenues in the US of roughly \$1.8bn, the same as it has in each of the past four years (the firm's fiscal year runs to the end of June).

In real terms, income has been falling at a time when costs have been rising steadily. To sustain partners' earnings, the firm has slashed partner numbers during the period by around 30 per cent, to just under 1,500. (It started culling partners soon after the 1987 merger between Peat Marwick and Main Hurdman.)

Peat is not alone, of course. Of the US firms, only Arthur Andersen and, to a lesser degree, Price Waterhouse, have managed to keep a degree of top-line growth. The products of the late-1980s mega-mergers have suffered more than most. Ernst & Young and Deloitte & Touche have also been forced to cut back partner numbers, though not to the same degree as Peat.

US accountants blamed the malaise for a long time on their country's early 1990s recession. Such claims have sounded increasingly hollow: the US economy came out of recession more than two years ago, at first fitfully and more recently with undeniable vigour. But the fortunes of the accounting firms have not responded as fast. Their fees have become just

one more of the items that US industry, bent on squeezing out every unnecessary cost, has put under the microscope.

The experience has been a sobering one. Accounting firms spent much of the 1980s talking about becoming more useful to their customers, and less reliant on compliance products like doing audits and filling in tax returns. They are still talking about it - but there is little indication that this approach has reinvigorated any growth into the accounting business.

The man with the unenviable job of reinventing Peat in the US is Jon Madonna. Elected chairman in 1990, he has already presided over a painful downsizing. He could now be set to lead the firm into the next century. His 51st birthday is today, leaving him plenty of time to serve a second six-year term as chairman (should he be re-elected) before reaching Peat's retirement age of 60.

According to Madonna, the turning point has come: "What we went through in the last few years was a downsizing. Now, it's a growth strategy."

If he is right - a big "if" - the rest of the 1990s will be a more pleasant time for the accounting firms than the first part of the decade.

The starting point is a difficult one. "We've got productivity issues, we've got growth issues, we've got profitability issues. We're not different from any other industry here," says Madonna.

The US firms are reeling from the effects of cost-cutting already undertaken, and have yet to rebuild morale.

The cost-cutting is unlikely to be at an end, though.

Technology has revolutionised the way companies collect and analyse financial information. Accountants have long realised this, and have struggled to reinvent their role as an intermediary in the information chain: rather than collectors and collators of financial information, they have tried to become interpreters and strategists.

Yet the cost structures of the big US firms suggest that they have not made the sort of productivity gains that might be expected from this information revolution.

Since the middle 1980s, the ratio of partners to professional staff - one of the best indicators of productivity in any professional partnership - has hardly budged at several of the biggest firms, at around eight professionals to each partner. Nor has the ratio of non-professional (largely administrative) staff fallen. Cutting people has at least lifted the average revenues per partner, though.

"We're not as good as we should be [at measuring productivity]," admits Madonna. Productivity may be one of the biggest issues facing the profession, yet it continues to be overshadowed by an obsession with growth.

Reinvigorating the top line is the first objective of all firms.

Peat's response has been to take a strategy common among all accounting firms in recent years one step further. "Industry specialisation" has been the mantra of the profession for at least a decade. Peat has now ele-

vated it to become a *raison d'être*. By last summer, the firm had, in the US, scrapped its traditional functional groups - audit, tax, consulting, and so on - and reorganised itself along industry lines.

Madonna says: "We're measuring ourselves by market - we will be able to tell you how much we generate in financial services, for instance."

That approach enables the firm to reward its staff according to how well their particular industry group does. Audit staff, the theory runs, will be more inclined to think creatively about other services that could help a customer if their own pay is more closely tied to the outcome.

Does fiddling with organisational structure in this way get to the root problems of the accounting firms? It is hard to argue against the approach: if the accounting firms find growth in the future, it must come from selling new services to their customers. Organising around customers, rather than around their own functional divisions, is a logical step.

Yet on its own, industry specialisation is not the answer. It did not prevent the problems of the early 1990s, and is unlikely to be a panacea in the future.

"On the face of it, it seems a good idea. But the world doesn't compartmentalise that way, it's too dynamic," says Bruce Marcus, a consultant on marketing for professional firms. More seriously, he adds, accounting firms have still not adapted to the competitive era ushered in as long ago as 1977, when the ban on adver-

ising in the US was first lifted. There are other, more serious management problems that hang over the accounting firms, notably the partnership structure itself. Having taken the first steps in the early 1980s to setting up quasi-corporate governance arrangements, accounting firms have failed to carry the process to its logical conclusion.

Madonna makes the most of the partnership system, even going so far as to suggest that the corporate world has moved closer to the partnership structure, rather than the other way around.

"A lot of corporate America is trying to manage itself as a partnership," he says. He suggests it is "very much in line with the stock option frenzy" which has seen companies increasingly offering senior employees an equity interest.

In reality, though, there is still a huge gulf between the consensual style of a partnership and the standard corporate management structure. Tackling this issue remains one of the basic challenges that accounting firms have shied away from.

If there is a model for the accountants to follow, perhaps it is the US investment banks. Small partnerships until the 1980s in most cases, they managed the transition to big, public corporations with spectacular success.

The most profitable of them all, Goldman Sachs, remains a partnership. But in its strong leadership and management structure, it has far more in common with a public company than an accounting firm.

Royal College of Psychiatrists

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Salary c. £30,000

The Royal College of Psychiatrists plays a crucial role in establishing and promoting the highest standards of psychiatric care and training in the United Kingdom and Ireland.

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The successful candidate will be of graduate calibre and a qualified accountant with several years post qualification financial management experience. He or she will have proven ability to develop and enhance financial systems and the management skills to lead and motivate a small department. Good writing skills and the ability to communicate effectively are essential.

For further details please telephone Miss Sue Duncan on: 071 235 2351. The closing date for applications is Friday 20 May, 1994.

ACCOUNTANT REQUIRED

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There is a bonus and first class benefits but the package does not include a car.

If you have the requisite drive and experience, please reply in confidence by quoting Ref. 610 and sending your Resumé to Michael Fahey at Thornton Fahey, 1 Mansour Place, London SW7 5LT. Tel. 071 584 6028, Fax. 071 823 7688.

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Group Finance Director

Lancashire

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Reporting to the Group Managing Director you will be responsible for the financial control and direction of the Group plc and its four trading subsidiary companies, and providing a company secretarial service.

A Chartered Accountant, you should have significant experience in the manufacturing

sector and be familiar with the requirements of a plc including the production of statutory accounts and dealings with the Stock Exchange and Institutional Investors.

Commercial awareness, an enthusiastic and proactive approach, excellent communication skills and a willingness to contribute to the general management of the business will be highly valued.

Please write with full career and salary details - in confidence - to David Mather, Ref: 34D38, MSL International Limited, Sovereign House, 12-18 Queen Street, Manchester M2 5HS.

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Our client is establishing a substantial healthcare business operating from South Wales and are looking for a Financial Controller reporting to the Managing Director.

This appointment is key to the company's successful development in that it will involve:

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- negotiating and liaising with banks and creditors
- implementing efficient procedures and controls
- providing practical, relevant and timely management information

It follows that candidates must be able to think strategically yet be alert to the detail of day-to-day operations. We anticipate that the successful candidate will have a high degree of personal organisation, strong analysis and interpretation of data and will be a hard and persuasive team player.

You will be a qualified accountant in your early 30s with a proven track record of achievement in a commercial environment, preferably manufacturing, who is looking for a challenge.

Please write, enclosing your CV to Karen Rogers, Grant Thornton, 11-19 Tinsell Road, Cardiff, CF1 9UP. All applications will be treated in the strictest confidence.

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GERMANY

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The Role Reports to local managing director and UK finance department and is responsible for all finance and administration functions, liaison with professional advisers, treasury duties and other ad hoc assignments.

You will be a qualified ACA with a minimum of 5 years post qualification experience gained in a dynamic commercial business, highly computer literate, and skilled in formulating new ideas with an ability to plan and manage a growing business. Fluent German is essential, and previous experience gained in Germany would be an advantage, although not a qualification. The remuneration package is flexible and generous, and will be based on previous experience, but includes a fully expatriate company car and usual expatriate benefits, including relocation to an attractive part of West Germany.

To apply, please send a full CV, including current remuneration package to the Personnel Manager, Box A2024, Financial Times, One Southwark Bridge, London SE1 9HL.

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£32,000 - £ 36,000
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For a qualified Accountant with exceptional business acumen, this is an exciting opportunity to join the Board of our Southern Region. You will be responsible for the Regional Managing Director, your prime role will be to coordinate all areas of our business to ensure profitability levels remain on target. This will mean taking a creative approach in formulating and revising realistic plans and budgets for a market which is dynamic and constantly changing. You will also need to ensure that all accounting functions are carried out to meet legal requirements and Group accounting policy and that staff are informed on performance and profitability issues.

As well as a professional accountancy qualification, you should have broad commercial experience, gained from both management and financial accounting, and ideally, experience of the housebuilding industry. You will also need to be a confident and influential communicator with accomplished man-management skills.

For the right person, the benefits will include a quality car, profit related pay and bonus scheme, pension scheme and private medical insurance.

You should write a letter of application and enclose a curriculum vitae outlining your skills and experience, and send it to: Christine Young, Personnel Secretary, Westbury Homes (Holdings) Limited, Southern Region, 240 Aztec West, Almondsbury, Bristol BS12 4TA. Closing date: 20th May 1994.

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- Reporting to the Chairman, responsible for enhancing the performance and profitability of subsidiary companies by providing tight financial guidance and control.
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THE QUALIFICATIONS

- Qualified accountant, 40+, with broad senior level experience in a decentralized manufacturing Group. High-technology and international exposure an advantage.
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London W1A 3AA

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London

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THE ROLE

- Reporting to the Director of Operations, responsible for devising, directing and controlling major development projects with a significant IT component, maximising benefits whilst minimising risk and disruption to service.
- Establishing clear lines of communication between all functions within the company, as well as with other key areas in the Group, to support the process of change.
- Setting standards and methodologies for controlling development projects. Providing internal project management consultancy to all business areas in the company.

THE QUALIFICATIONS

- Educated to degree level or equivalent with a successful track record as a project manager, line manager or management consultant specialising in the development of complex, business-critical treasury processes and systems that cross functional boundaries.
- Strong interpersonal and communications skills, able to control through influence and win support for new developments. Strong negotiator who can resolve conflicting demands for resources and manage external relationships.
- Mature self-starter with the stature to win respect from all levels in the company. Pragmatic problem-solver and facilitator, willing to take responsibility and instil accountability in others.

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Arlington Court, Grosvenor Gardens, 10th Floor,
London W1A 3AA

Our client is a London based multinational group which trades in metals and chemical products. With 500 staff, working in nine countries, they apply an in-depth knowledge of the Trade Finance market to provide their clients with an exceptional service from sourcing and shipping, to sales and finance. The Group's Finance Department is looking to employ high calibre individuals who can demonstrate an approach to business which is proactive, resourceful and innovative. Candidates must be capable of improving the operational effectiveness of the department and supporting the Group in consolidating its position in emerging markets.

Finance Director
c£70,000

This is a newly created position reporting to a Board Director and taking strategic responsibility for the entire finance function. You will need the drive and initiative to align the function to support and address the varied and intricate business needs of this company.

The successful candidate will have:

- An ACA qualification and up to 20 years experience of accounting, within both a corporate and trading environment.
 - Extensive trade finance experience including securing loans and credit facilities from banks for foreign transaction deals.
 - A strong track record in developing and maintaining banking relationships.
 - Excellent leadership skills with the ability to motivate staff.
 - In-depth knowledge of financial management and cash management.
- This challenging role includes giving direction to and controlling the accounting and treasury departments of the company. You will be responsible for proposing and implementing systems to improve management reporting to the Board. Creativity, professionalism and the ability to get things done are prerequisites.

The finance function is central to the evolution of the Company. These positions offer long term career prospects where you can make an impact on a culture which aspires to be the best.

Financial Controller
c£45,000

Reporting directly to the Finance Director, you will recognise that this is more than just a functional role and requires a motivated individual with exceptional management skills. You must have experience of complicated transactions and be able to motivate your staff, as procurement from emerging markets expands and transactions, such as various types of counter trade, become more predominant.

You must satisfy the following criteria:

- An ACA, 15-20 years experience of accounts within a trading house.
- Experienced in various types of counter trade and multi-currency transactions.
- Able to make method recommendations for improvements and implement them.
- Proven experience in all aspects of financial management and cash management.
- Computer literate.
- Five years effective team management and the ability to communicate confidently with staff.

You will be responsible for the daily operation of the accounts department and for group level budgeting. You must be able to demonstrate a proactive approach to the management of the department and work closely with the Finance Director.

Management Accountant
c£32,000

As a key member of a team of five, you will have the potential to stand in for the Financial Controller and guide other accounts staff. You will be responsible for the preparation of quarterly management accounts for the Group and will contribute to the development and implementation of new systems.

You will have:

- An accounting qualification with 5 years experience and exposure to accounting within a trading environment.
- Strong computer skills.
- In-depth experience of both financial and management accounting and budgeting.
- A track record of successfully supervising a team.

In this fast moving environment, you must be accurate and flexible, able to meet deadlines and capable of making a significant contribution to the development of the Group.

Contact Caroline Foley-Cumby or Carole Edmunds on 071-583 0073 (Day)
081-455 7064 (Evenings) or send your CV in complete confidence to:
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CENTRAL LONDON

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GROUP FINANCIAL ACCOUNTANT

c. £50K+BENS

Reporting to the Group Financial Controller, this role carries overall responsibility for the preparation and presentation of the Group's consolidated financial statements and reporting. The scope of this position includes supervision of the head office accounting department and direct responsibility for all aspects of UK and US reporting. Additionally the incumbent will take a leading role in major ad hoc projects.

This is a senior role having considerable impact on group finance matters and high level liaison points throughout the group's operations. Applicants must be graduates, ACA qualified and possess the highest degree of drive, ambition and energy. It is likely that the successful candidate will have had significant commercial exposure and at least five years' post-qualified experience.

Interested applicants should contact Jon Boyle ACA on 071-379 3333 or send a full Curriculum Vitae to him at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP. Fax 071-915 8714.

ROBERT WALTERS ASSOCIATES

GROUP MANAGEMENT ACCOUNTANT

c. £35K+BENS

The purpose of this role is to provide quality financial and operational information to management. Reporting to the Group Accounting Manager and with one direct report, the primary responsibility will be to ensure the prompt production of group management accounts. Additionally there will be involvement in all forecasting and budgeting including the continuing development of group systems. Experience of Micro Control will be an advantage.

You will be a qualified accountant with at least three years' post-qualified commercial experience, preferably gained in a group environment and in the management accounting area. There will be considerable scope for input into the improvement of the management information disciplines, and candidates must possess initiative, organisational ability and strong interpersonal skills.

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Our client, a multinational group, is one of the world's leading names in its sector. Its mission is to be the best and the most profitable in this fast moving and changing service field. It sees the route to this as staff excellence, the effective application of technology and the creation of long-term relationships with business partners.

The growth of the group and its future plans make it essential that there is a high level awareness of the tax implications in each country of operation. This new role is therefore an excellent career opportunity for the tax-specialist to contribute to the bottom-line. Reporting to the Head of Group Taxation, the key responsibilities of the role will include:

- Control of and proactive planning for international tax.
- Ongoing review of the group's tax structure and operation.
- Management of a programme to increase international awareness of tax issues.
- Managing the VAT position of the Group particularly in the single European market.

The successful candidate should have:

- An Accounting Qualification (ACA/ACCA) with a minimum of 5 years Corporation Tax experience.
- A thorough knowledge of international taxation and VAT.
- An up to date knowledge of relevant legislation with the ability to interpret and apply this to the business.
- Excellent interpersonal and communication skills with a high level of self-motivation and a strong commercial awareness.
- Proven negotiation skills.

You will be leading a small team, hence people management skills are important.

A full relocation package will be available if required.

If you have a keen interest in this ever progressing environment you should write to Karen Wilson, Hoggett Bowers, George V Place, 4 Thames Avenue, Windsor, SL4 1QP enclosing a recent CV and a note of current salary quoting Ref WKW/4080/FT.

Hoggett Bowers
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Previous financial institutions experience is not necessary; strong quantitative abilities, along with well-developed interpersonal skills, are essential. You will demonstrate high levels of academic and professional achievement, the willingness to work hard and the determination to succeed. For individuals needing to move to London, relocation assistance can be made available.

If you want to progress, as far and as fast as your talents allow, seize the initiative by writing to our advising consultant Janet Bullock, quoting Ref: 280, at BSM Selection, 76 Watling Street, London EC4M 9RJ enclosing a full curriculum vitae, which should include contact telephone numbers. Any applications sent to Salomon Brothers will be forwarded to BSM. All applications will be handled in the strictest confidence.

Salomon Brothers

Whitechapel Corporate Services Limited

**SENIOR EXECUTIVE -
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Whitechapel Corporate Services Limited, an expanding financial services subsidiary of Sedgwick Group plc, are seeking to appoint a Senior Executive to play a leading role in the company's development.

The company has been highly successful in developing a range of financial products and anticipates a period of significant growth.

The ideal candidate should be a qualified accountant possessing several years project management/consultancy experience involving taxation, treasury and legal issues.

The role represents a unique opportunity to join a dynamic new business venture with salary and benefits to reflect the position.

Please apply in writing, in strictest confidence, enclosing full curriculum vitae to:

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Experience seeks role as Financial
Director/Controller. Any locations.

Fax 081 763 1187 or write to
Box A2023, Financial Times, One
Southwark Bridge, London SE1 9HL

**FINANCIAL
CONTROLLER**

London

c£35,000 + car

This is an exciting opportunity to join the management of an active and highly profitable Property Development company and to contribute to a number of substantial new projects. The position requires a business-orientated Chartered Accountant aged 28-35 with the personality to fit into a small, dedicated and enthusiastic team. (Ref. DES)

**CHIEF
ACCOUNTANT**

North Kent

To £35,000 + car

Our client is a substantial and growing media group which now seeks an ambitious qualified accountant aged 30-40 to take responsibility for a small central team producing consolidated monthly management accounts, statutory accounts, budgets and forecasts. Candidates will have strong interpersonal and technical skills and the ability to grow with the group. (Ref. DES)

**FINANCIAL
ANALYST**

West London

£28,000 + car

A household name Plc in FMCG/Manufacturing has identified the need for an outstanding young Chartered Accountant aged 25-28, for a broad role encompassing capital expenditure appraisal, acquisitions and disposals, budgeting, planning, management and financial accounting. Prospects are excellent for an individual with a first class academic record and a blue chip client portfolio. (Ref. IJ)

For further information please telephone on 071-831-2323 or send your CV to Hudson Shribman, Vernon House, Sicilian Avenue, London WC1A 2QH. (Fax No. 071-404-5773).

HUDSON SHRIBMAN

FINANCIAL CONTROLLER DUBLIN

BIOTRIN/SYNCOR LIMITED

BIOTRIN/SYNCOR is a young, dynamic and highly successful company specialising in the development, manufacture and distribution of novel diagnostic products for the international market.

The job entails the day to day financial management of the business, production of management information, responsibility for maintaining relations with the company's banks and overseeing all financial aspects. A key element of the position is the development and implementation of effective financial and commercial strategies.

The candidate will be a high calibre university graduate, ACA with a minimum of 4 years PQE. Experience in all aspects of accounting in the manufacturing and export business and preferably having worked with a foreign subsidiary and on acquisitions. The successful candidate will be a bright quick learner able to understand broad business issues and enjoy operating with total commitment in a relatively informal style. Good leadership, motivational and communication skills and the ability to work closely and productively with the President will be essential. The candidate will be part of the management team and will be expected to play a strong role in the growth of the business and in managing the international aspects of the company business.

Remuneration will consist of a competitive basic salary plus the normal benefits of private health insurance, pension and life insurance.

Please reply in confidence to:

Michael Taylor, Pharmaceutical Recruitment, 4 Priory Hall, Stillorgan Road, Stillorgan, Co. Dublin. Tel: 010 353 1 2884667, Fax: 010 353 1 2883310

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Financial Management Opportunities in a Diverse Investment & Trading House

Our client is a long established financial services group providing fund management, money markets, equity and gilt edged market making, derivatives broking and consultancy to a broad range of institutions and corporates. A new management team

has developed a strategy, style and divisional organisation structure that is well placed to deal with the changing needs of clients in a rapidly evolving financial world. As a result of these changes, three new appointments have arisen:

Deputy Group Financial Controller

Key aspects of the role will be monthly management reporting, budgeting, co-ordination of statutory accounts and consolidation, tax computations, liaising with subsidiaries, and ad-hoc project work.

Candidates will be qualified chartered accountants, aged 26-30 with a good knowledge of accounting standards, report writing and corporate tax with the ability to work on their own initiative and work to tight deadlines. Ref: J/071.

Assistant to Divisional Controller

Working in the core money markets business the appointed person will be responsible for: daily management reporting including trading profitability and capital usage, trade support covering bond trading, off balance sheet and customer dealing and compliance issues.

Candidates will be qualified accountants or graduates with a minimum of 2-3 years relevant experience. They should also have good communication skills and be a flexible team player. Ref: J/072.

Internal Auditor

Reporting to the Group Internal Auditor the appointee will be responsible for assisting in performing technology, operational, financial and compliance audits to ensure group assets are adequately protected. This will include all aspects of the AS400 computer system.

Candidates should be qualified accountants with relevant financial services audit experience or alternatively may be qualified by experience. Ref: J/073.

In the first instance, please contact Jonathan Williams or send full career details, including remuneration to him, quoting the appropriate reference number.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Michael Page Finance, Page House,
39-41 Parker Street, London WC2B 5LH.
Telephone 071 831 2000.
Fax 071 405 9649.

Finance Director

W Yorkshire

c £35,000 + Bonus + Car

Our client is a highly autonomous £7 million turnover engineering subsidiary of an acquisitive, rapidly expanding UK Plc and operates through four divisions. Following the promotion of the present incumbent they seek to appoint a Finance Director.

Reporting to the Managing Director, you will assume full responsibility for the financial management of the business. More specifically your duties will encompass management and statutory reporting, the development of computerised information systems and the maintenance of strict financial disciplines and controls within the company.

Candidates, aged 32+ will be graduate qualified accountants with strong experience of financial management gained in a component manufacturing environment along with a high degree of computer literacy. Well developed communication skills along with a high degree of personal presence and maturity will be essential to make a significant contribution to the profitable development of the company.

Interested candidates should forward a comprehensive curriculum vitae to Stephen K Banks, ACMA, at Michael Page Finance, 6th Floor, Aquis House, Greek Street, Leeds LS1 5RU. Reference 188158.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Group Accountant

Hong Kong/London

£ Excellent Package

Our client is a powerful, global investment manager with offices in the world's key financial centres. It currently manages over US \$30 billion of funds for a wide range of both retail and institutional clients. With the polarisation of the fund management industry between global providers and small niche players, our client is uniquely positioned as a multi-market, multi-product business able to deliver tailored investment solutions.

Due to the ongoing development of the business a requirement has now arisen for a Group Accountant. This role will be initially based in the Hong Kong office with a view to transferring back to London after approximately six months. The special challenges will be to successfully migrate the non statutory functions back to the UK and to become actively involved in transferring the group reporting from the current Lotus based package to the new global general ledger system.

Other responsibilities will include:

- Analysis of local management accounts for Senior Group Management.

- Consolidation of group management reports, quarterly forecasts, annual operating plan.
- Staff management.

The ideal candidate will be a graduate qualified accountant aged 26 to 32 with around 2-3 years post qualification experience. They must have detailed knowledge of Lotus and general ledger systems coupled with consolidation and management reporting skills. This is an exciting opportunity for a well motivated, adaptable and proactive individual who thrives on change and challenges.

This role will not only offer the immediate challenge of working in a dynamic city but the future prospect of progressing within one of the world's largest financial institutions. Remuneration will include a competitive base salary and other banking benefits. Interested applicants should forward their CV to:

Stephanie Warren, Michael Page Finance,
Page House, 39-41 Parker Street,
London, WC2B 5LH.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Financial Accountant

South West London

c £35,000 + Bens

Our client is a new joint venture set up within the service sector between three large international groups. The operation has already established sites in four locations in three European countries. The projected turnover in the first full year is in excess of £40m and as part of the plan to establish a head office finance team in London, the company is seeking to recruit a Financial Accountant.

Reporting to the Group Financial Controller, the responsibilities will include:

- Establishing financial controls at all four international sites.
- Establishing systems and models for monthly reporting of group operations.
- Statutory reporting for UK & Belgium.
- Tax reporting for UK, Belgium and France.
- Co-ordinating multi-currency treasury matters.

- Co-ordinating contracts with third parties.
- Co-ordinating all financial accounting aspects for France, UK and Belgium.

The successful candidate will be a qualified accountant with excellent communication skills, able to speak French fluently and have extensive experience of international accounting from both a professional and commercial aspect. Exposure to French or Belgian accounting will be preferred.

This is a rapidly growing business and it is essential that the individual has a flexible and enthusiastic approach to the work. The opportunities lie within both the business and the shareholding companies.

If you are interested in this position please send your curriculum vitae, to Peter Gerrard, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Finance Director

London

c £60,000 + Car + Bonus

Our client is a profitable, autonomous £150m turnover subsidiary of a prestigious plc. The business is international, has a dynamic, quality driven culture and is recognised as a market leader in its field, providing services to a wide customer base which includes many blue chip organisations.

The Finance Director, reporting to the Chief Executive, will be expected to make a significant personal contribution to profitability and to the growth of the business, which will be both acquisitive and organic. The Board works as a team and the support provided by finance is fundamental to the continued development of existing product lines, added value services and unparalleled excellence in customer satisfaction. At the operational level, responsibilities include the leadership and motivation of a

large team whilst constantly improving the quality of management information, planning, working capital management, financial control, statutory reporting and systems development.

We seek an ambitious, qualified accountant aged 35-45, with demonstrable success in all the above areas, gained within an organisation of similar culture and high professional standards. Flexibility, excellent interpersonal skills, self-motivation and a desire to make an impact on the business are essential.

Applicants should send a full CV quoting reference 187000 to Diane Forrester ACA, Executive Selection Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

YOUNG AMBITIOUS ACCOUNTANT



£30,000 Package
Surrey

Our client, Lombard North Central PLC, is one of the country's premier finance houses, providing a diverse portfolio of quality financial products to all areas of the economy through their Business, Motor and Personal Sectors.

The size and diversity of the Lombard group, combined with the increasingly technical regulatory framework within which it operates, has led to a vacancy for a young, recently qualified chartered accountant to work closely with the Assistant Director of Financial Control to provide technical expertise to the group. This broad based role will also involve quarterly consolidations, US GAAP analysis, competitor comparisons and ad-hoc projects.

Suitable candidates for this exciting opportunity within a major subsidiary of the National Westminster Bank group will have an excellent academic record and a 'Big 6' background, combined with the ability to communicate effectively at all levels. Experience of leasing and instalment credit would be an advantage.

Please send or fax details to Keith Tracy, Heathfield Hargreaves Ltd, Chaucer House, 6 Bolero Road, Haywards Heath, West Sussex, RH16 1BB. Tel: 0444 416636 Fax: 0444 416002.

Applicants with a disability will be guaranteed an interview provided they are suitably qualified/experienced. Lombard - Working to Achieve Equal Opportunities

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Limited

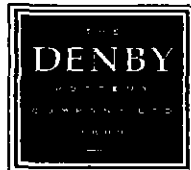
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on 071 873 4153
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on 071 873 4927
Rachel Hicks
on 071 873 4796

South Derbyshire



£40,000 Package

FINANCIAL CONTROLLER

The Denby Pottery Company Ltd is a well established, highly successful manufacturer of distinctive tableware. The Company is very profitable with a turnover in the region of £22 million, and is to be floated on the stock exchange in the next few weeks.

Reporting to the Finance Director, the role will encompass the day-to-day running of the Finance department, developing financial controls over the Company's international operations, and interpreting and improving management information.

Broadly than a pure accounting role, it demands a constant contribution to the general management of the business, and to the development and implementation of its corporate strategy.

The ideal candidate will be a Qualified Accountant, aged 28-40, with a minimum of three years post-qualification experience within a manufacturing environment.

You will have excellent interpersonal skills, a high degree of professionalism, commitment and commercial acumen, along with a strong track record of achievement.

Building upon the flotation and continuing growth, the future will provide excellent prospects for the successful candidate.

A comprehensive benefits package is available, including executive car, bonus, and relocation assistance where appropriate.

Please submit a full CV to Tina Shortman at Nicholas
Andrews, 11 St Peter's Gate, Nottingham, NG1 2JF.
Tel: (0602) 414480 or Fax: (0602) 413652.



Finance Director

Horsham, West Sussex

to £35,000 + Car

Our client is a fast growing player in the rapidly expanding and exciting business of direct telephone insurance broking. A subsidiary of a Plc which has strong institutional backing and specialist interests in niche market insurance services, the company is currently experiencing significant growth.

As a result of this expansion, they wish to appoint a Finance Director. This is a key role in developing the full potential of this business. Reporting to the Managing Director, you will take full responsibility for the finance function with a strong emphasis on implementing financial systems and stringent controls to ensure that the back office performs a highly effective support function for the front office. Direct reports include a Finance Manager and 6 staff.

This is a highly proactive role which requires an assertive and determined character who can demonstrate the ability to initiate and manage change in a challenging and progressive business.

The successful candidate will be an ACA, probably aged 28-35, with a good exam record preferably gained within a Big 6 environment. You will have a minimum of 3 years post qualified experience probably gained in a commercial environment. Candidates from practice will be considered but will have to demonstrate significant financial management and commercial ability. Experience of the insurance industry would be an advantage.

On offer is not just a position with significant growth and hence high earning potential, but the opportunity to genuinely influence the development of an exciting and growing business.

If you feel you have the background and ability to satisfy these requirements, send your curriculum vitae to Jonathan Ross, Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey, KT22 8AG, quoting reference J188412.



Michael Page Finance

Specialists in Financial Recruitment

London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

Head of Group Audit

East Anglia

Package up to
£60,000 pa

A truly international group which has operations in 120 countries worldwide and continually demonstrates strong financial performance. Our client operates within a rapidly changing consumer product and service environment where the energy and enthusiasm of its management team ensure that it is at the forefront of new developments in its markets.

As a result of an internal promotion this major career development opportunity has arisen. Reporting directly to the Chief Executive with a dotted line to the Finance Director you will be responsible for the effective direction and development of a number of teams of specialist Auditors.

The worldwide audit of the group and the development of audit procedures and processes are the main objectives but additionally you will provide a wider consultative and advisory service to line management and ensure audit input to Performance Engineering projects.

In order to effectively perform this role you will have broad experience of general business management as well as internal audit and will be a Qualified Accountant and/or MBA. You will also demonstrate:

- A balanced view between commercial reality and essential financial control.
- Excellent interpersonal and relationship management skills, with an ability to identify and respond to the needs of line management worldwide.
- An ability to devise audit schedules which reflect strong risk management awareness (non-financial as well as financial) with an ability to prioritise accordingly.
- A high level of perception, able to assess new business risk.
- A lively independent mind with the ability to debate sensitive, complex issues at the highest level.
- International experience with cultural sensitivity.

The role necessitates regular international travel.

A full relocation package will be available if required.

If you would like to discuss further how this opportunity could fit with your career plans, you should write to Karen Wilson, Hoggett Bowers, George V Place, 4 Thames Avenue, Windsor, SL4 1QP enclosing a recent CV and a note of current salary quoting Ref: WSW499/FT.

Hoggett Bowers

EXECUTIVE SEARCH AND SELECTION

INTERNATIONAL FINANCE OPPORTUNITIES MAJOR FMCG GROUP

Former Soviet Union

THE COMPANY

Formed a little over 7 years ago, this highly successful trading organisation operates within a number of rapidly expanding FMCG markets. The group is enjoying a phenomenal rate of growth in emerging markets of the Former Soviet Union. The company now needs to make a number of strategic appointments to strengthen the financial management team.

FINANCIAL CONTROLLER ST PETERSBURG £35,000-£40,000 EX-PAT

This role will assume full financial responsibility for an operation turning over in excess of £15m and expanding rapidly. Key challenges will include the production of accurate information for operational management, implementing budgeting and strategic planning routines and the development of a proactive finance department.

In addition to the salaries indicated above, a comprehensive ex-pat benefits package will also be provided. Interested candidates should contact Jane Braithwaite or Michael Shoebridge on 071-408 1312 or 081-993 0639 (eves/weekends). Alternatively send your CV to the address below, indicating why you feel you are able to make a contribution in the above roles.

PROJECT ACCOUNTANT MOSCOW £30,000 EX-PAT

This is a key role to help establish and run a bottling operation in Moscow. The responsibilities will be all encompassing to include a significant element of ad hoc projects. Previous experience of FMCG operations would prove advantageous. Significant commercial liaison can be anticipated in this role.

FINANCE MANAGERS X 3 VARIOUS LOCATIONS £25,000 EX-PAT

These opportunities are a direct result of the continued growth in the business activities. Ideal candidates will be newly/recently qualified accountants with strong commercial acumen, and well developed communication skills. This is an excellent entry point for accountants who wish to gain international experience in a truly dynamic environment.

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18 HANOVER STREET, LONDON W1R 9HG. TEL: 071-408 1312. FAX: 071-355 1501

Growth is the Challenge

REVENUE ACCOUNTING CONTROLLER

An established leader in the UK's telecommunications and cable TV industries, **NYNEX CableComms** has already brought better cable TV and telephone systems to hundreds of thousands of homes and businesses throughout the UK. It's a highly successful high transaction volume business involving complex multi-site cash receipt and revenue reconciliations. Due to massive expansion we are now looking for a qualified accountant to join our Revenue Accounting Office in the Wimbledon Headquarters, shortly moving to Tolworth.

Your role will involve the management of the revenue accounting section which not only tracks all revenue, cost of sales and aged debt but also controls the AR reconciliation process. You will be expected to deputise for the Head of Department and appoint line managers for key functions.

You will supervise and plan RAO activities for our North and South divisions. Controlling franchise accounting procedures, you'll review franchise and retail outlet cash security arrangements.

ACA, ACCA or CIMA qualified, you should have a minimum of 5 years experience gained within a similar high transaction volume business preferably telecom or public utility experience. Relevant practical experience of both financial and management accounting would also prove highly desirable. An achiever, who is able to demonstrate the initiative required to lead us through this growth phase, you will need to prove totally reliable under pressure.

In addition to a salary of c.34K you will enjoy benefits including company car, pension scheme and private healthcare. What's more, you'll find the prospects for professional and career development hard to equal anywhere else.

To apply, please send your CV, day and evening telephone numbers quoting reference Rec 176 to: Alison Townhill, Senior Personnel Co-ordinator, **NYNEX CableComms Ltd**, Wimbledon Bridge House, 1 Hartfield Road, Wimbledon, London SW19 3RU.

NYNEX CableComms.

Your Voice, Our Vision. The Right Connection.

APPOINTMENTS WANTED

YOUNG DYNAMIC ACA

Seeks position with expanding small/medium sized company/group. Excellent communicator, big 6 background, commercially aware.

Please apply to Box A2015, Financial Times, One Southwark Bridge, London SE1 9HL

DIRECTOR OF FINANCE

INFORMATION AND COMPUTING: ROYAL HOSPITALS NHS TRUST
SUBSTANTIAL SALARY PACKAGE

St Bartholomew's, the Royal London and the London Chest hospitals have a combined budget of £210 million, and employ over 6,800 staff. We were awarded Trust status on the 1st April 1994 and are now part of the Royal Hospitals NHS Trust and seek applications for the Director of Finance, Information and Computing with the Royal Hospitals NHS Trust.

THE POST

The postholder will be responsible to the Chief Executive for all aspects of the Trust's financial activities and will act as Financial Advisor to the board. In addition, the postholder will be required to contribute to the development of the Trust's strategic plans and in the formulation implementation and review of the Trust Financial, Information and Computing Strategies.

THE PERSON

To succeed in this post you will need to be a progressive qualified accountant with senior financial management experience in the NHS or a comparable large organisation preferably at board level. In addition, you should demonstrate excellent leadership, interpersonal and communication skills and an ability to work under pressure and as part of a team.

If you think you match the specification above and would like an informal discussion and job information pack please contact:

Gerry Green, Chief Executive, The Royal Hospitals NHS Trust, 5th Floor, Alexander House, Whitechapel, London E1 1BB. Tel: (071) 377 7422.

Application is by CV and the closing date for receipt of applications is the 19th May 1994.

Working Towards Equal Opportunities

Assistant Controller

PARIS

350 KF±

■ **THE COMPANY:** A medium-sized international French group (TIO 650 MF), world leader within a specialised niche in industrial supplies with 20 subsidiaries worldwide.

■ **THE POSITION:** Reporting to the group controller, you will be responsible for implementing a new monthly consolidation and reporting package, for analysing the results of several operating units and for assisting the group in its internal and external development worldwide.

■ **THE CANDIDATE:** A qualified accountant (ACA, CIMA...) with an initial experience in a public accounting firm, ideally followed by financial experience within a multinational, you speak French and are looking to develop a career in continental Europe.

■ Interested candidates should contact Ivor ALEX in Paris on (33.1) 42.89.09.17 or send their curriculum vitae quoting reference 16781AFT by fax on (33.1) 42.89.09.85 or to NORMAN PARSONS, 6 rue Paul Baudy, 75008 PARIS.



Norman Parsons
GROUPE ROBERT HALF

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Manager - Management Accounting

DUBAI

The Emirates Group

The Emirates Group comprises Emirates, the award-winning international airline of the United Arab Emirates, voted Executive Travel's 'Airline of the Year 1994', and DNATA, Dubai National Air Travel Agency, a major travel agency and handling agent at Dubai International Airport.

The Job

Reporting to the Finance and Information Technology Director at senior management level, the Manager - Management Accounting is responsible for developing the Group management accounting support for the business; coordinating financial planning and budgeting; identifying and providing for the ongoing requirements of business managers. In addition, the Manager - Management Accounting will be required to coordinate the activities of the business Management Accountants and provide financial analyses to management.

The Person

We are looking for a person with an MBA majoring in finance, who should also be a qualified ACMA or equivalent. With experience in major multinational industries, and at least 10 years' working experience in finance including extensive line management experience, applicants should be familiar with the latest cost management concepts and have an in-depth knowledge of financial systems. All to be combined with a strong customer service focus and excellent interpersonal and communication skills.

The Package

This position is based in Dubai, the cosmopolitan hub of the Middle East which provides an excellent way of life, a demanding work environment with extensive leisure and recreation facilities.

An attractive tax-free salary will be paid, together with fringe benefits which include fully furnished accommodation, company car, medical / accident / life insurance cover, school fees contribution, free annual leave travel and concessional travel usual to the industry. Applicants should send a fully detailed resume to arrive not later than 15 days from publication of this advertisement, quoting the reference code 'MMA / FT' to:

Personnel Manager (Commercial & Service Departments), Emirates, P.O. Box 686, Dubai, United Arab Emirates.



THE FINEST IN THE SKY.

FINANCE DIRECTOR

designate

PROPERTY

Circa \$35,000 + benefits

THE COMPANY

We are a well established design company based in London's West End. The company seeks a new Finance Director to complete its management team. Consolidation of recent gains and expansion of market share are strategic objectives.

THE JOB

Reporting directly to the Group Board the candidate, initially FD designate to the main operating company, will have overall responsibility for group finances, administration and company secretarial duties. Key tasks are profit forecasting, treasury management and improvements to the budgetary control system.

THE PERSON

You should be a qualified accountant, preferably educated to degree level, with a minimum of 3 years PCE. Strong hands-on management, interpersonal skills and a need for achievement are minimum personal prerequisites.

Please send, in confidence, a comprehensive career resume and salary history to:

Managing Director, 27 Queen Anne Street, London W1M 9BS

The Top Opportunities Section

For Senior Management
Appointments

For advertising information call:

Philip Wrigley on 071 873 3361

FINANCE DIRECTOR**Based in Barking, Essex**

Hapag-Lloyd (UK) Ltd., a wholly owned subsidiary of Hapag-Lloyd A.G., is offering the position of Finance Director with overall financial control (turnover in excess of £100m).

The UK activities comprise international transportation and inland purchase of road haulage, together with forwarding and related activities.

The position requires a person of proven management skills and a recognised Accountancy qualification. A reasonable fluency in German is essential.

The ideal candidate would be 35/45 years of age. Remuneration will be circa £40k plus bonus and usual fringe benefits for this senior position.

If you wish to be considered please apply with a full CV and current salary, to: Personnel Manager, Hapag-Lloyd (UK) Ltd, Hapag-Lloyd House, Cambridge Road, Barking, Essex IG11 8HH.

The Company operates a no-smoking policy.

**Hapag-Lloyd (UK) Ltd.**

The Symbol of Reliability

FT/LES ECHOS

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone:

Philip Wrigley on 071 873 3351

Assistant Group Financial Controller

East of England

£35,000 pa
Plus Bonus and Car

This is an exceptional career opportunity for a qualified accountant with at least 5 years post qualification experience.

You will need a strong and broad financial background with an ability to see the wider perspective as well as an appreciation of technical and detailed issues.

More importantly however this is your opportunity to demonstrate that you can be credible at the highest level. You must also have excellent interpersonal skills enabling you to be firm but diplomatic with senior financial and line management around the world. A sensitivity to international cultural differences is likewise essential.

Our client, a major international group and well known name in the service sector, has a strong policy of divisional autonomy and empowerment. This in turn generates the need for this position which will act as a key liaison point between group and regional controllers to ensure that financial integrity is consistently maintained to the highest level during a period of major growth and change. The role offers great scope for initiative and new ideas, and therefore demands that the successful candidate be a self-starter with strong influencing skills and commercial maturity.

Additionally you will lead a small team and have certain line accounting responsibilities at Group level.

Our client has a philosophy that the customer comes first and all company policies are formulated with customer service in mind. Having the best staff is a crucial factor in delivering a demonstrably better service to customers than competitors. Training and development of staff is therefore a main objective and the individual who succeeds in this role can expect further personal development opportunities. The role will include a limited amount of international travel.

A full relocation package is available if required.

If you feel that you would like to discuss this outstanding opportunity further please write to Karen Wilson, Hoggett Bowers, George V Place, 4 Thames Avenue, Windsor, SL4 1QP enclosing a recent CV and a note of current salary quoting Ref: WKW/4081/FT.

Hoggett Bowers

EXECUTIVE SEARCH AND SELECTION

HILLMAN SOUNDERS

FINANCE DIRECTOR

30-40

Salary: to £50,000

Our client, a major Lloyd's plc broking group is launching a direct marketing/service company based in Northampton. This new, autonomous business will have substantial financial backing to support its ambitious growth plans in motor and personal lines insurance. This is a superb opportunity to join the senior management team at Director level at the start of this exciting venture.

Reporting to the Managing Director, you will have full accounting responsibilities, including cash and taxation management. The successful candidate will be a qualified chartered or certified accountant with experience in a high volume transaction service business, ideally gained within insurance/financial services. Experience of setting up nominal ledger and other accounting systems is also desirable.

A team player, with strong interpersonal skills, the appointee must have the ability to liaise effectively with external advisors as well as colleagues. A "hands on" approach is essential for the new start-up culture.

The position also offers an annual bonus, profit share, executive car plus excellent benefits. To apply please write with a full CV to Peter Hillman quoting reference V5460. All enquiries will be treated in the strictest confidence.

78/79 Leadenhall Street, London EC3A 3DH
Telephone: 071 929 0707 Facsimile: 071 929 1666

Financial Controller

SOUTHERN HOME COUNTIES - FINANCIAL SERVICES - £45,000-£50,000 package+car

Our client is a significant subsidiary of a major Financial Services PLC with total assets in excess of £15 billion. With a commitment to an impressive growth plan over the next five years, it is now seeking to appoint a Financial Controller. This individual will contribute significantly to the strategic planning and day to day commercial decision making process affecting the business.

The position reports to the local head of the business and will be pivotal in the formulation of the business in a rapidly developing market. Responsibilities cover all aspects of Finance. Key tasks will be to bring a clear financial focus to the management of the organisation and to develop an efficient Finance team.

The successful candidate will be a graduate qualified ACA, aged early thirties to early forties, with a record of achievement probably, although not necessarily, gained within a Financial Services Institution. Excellent management and interpersonal skills are essential as is the ability to influence at a senior management level.

This is a first class opportunity to contribute to the future success of an ambitious and high growth company. The remuneration package will include a company car and other benefits.

Interested applicants should write, enclosing a full CV, including details of current remuneration, to Fiona Johnson or Judi Bearcroft at the address below.

Alderwick Peachell

& PARTNERS LTD

Alderwick Peachell & Partners Limited, Recruitment Consultants, 125 High Holborn, London WC1V 6QA. Tel: 071-404 3155. Fax: 071-404 0140.

FINANCE DIRECTOR, CENTRAL EUROPE

Germany

Attractive Salary

Dell Computer Corporation is currently the world's fifth largest manufacturer of high performance personal computers. The Dell brand is one of the pre-eminent names in the industry. Founded in 1984 in Austin Texas, Dell launched its first international operation in the UK in 1987. The company has since opened wholly owned subsidiaries in 15 other countries, and its international businesses now represent about 40% of the company's \$2.9 billion revenues.

The Role

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■ Ideally aged between 35 - 40 years old, you should be a qualified accountant of graduate calibre, preferably with an MBA. Solid grounding of US (GAAP) and local statutory requirements are prerequisite, perhaps gained in a US or "Big 6" firm.

■ Excellent presentation, coupled with strong interpersonal skills and a highly self-motivated manner. Fluency in English and, ideally, German. French language skills would also be of interest.

Please respond, in complete confidence, with full career details, including remuneration, to:
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Dell Computer Corporation Ltd, PO Box No 3517, Baskerville, Berkshire RG13 1GY
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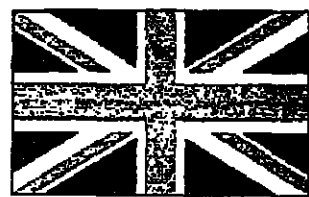
To apply, please send your CV and current salary to Barkers, Berwick House, 35 Livery Street, Birmingham B3 2PB, quoting reference M767.

Your CV will be forwarded to this client only. Please indicate any company to which your details should not be sent.

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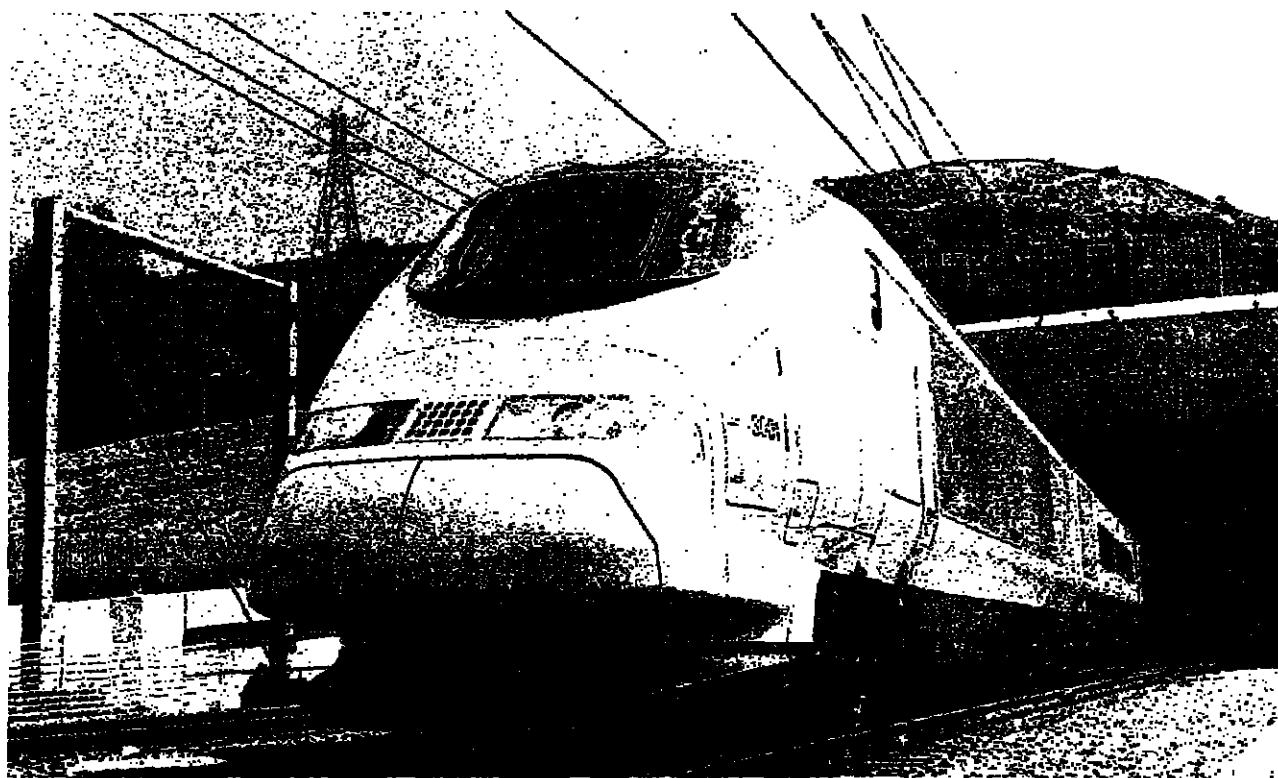
FINANCIAL TIMES SURVEY

THE CHANNEL TUNNEL

Friday May 6 1994



An aerial view of the Folkestone terminal looking towards the entrance to the tunnel



Peaceful invader: one of the quarter-mile long Eurostar trains which will run between London and the European mainland

TUNNEL'S TIMETABLE

- Sept 11 1981: UK, France announce studies of a fixed link across Channel.
- Jan 20 1986: Twin-bore rail tunnels chosen.
- July 29 1987: The fixed link treaty ratified.
- Nov 4 1987: £5bn credit agreement signed.
- Dec 1 1987: Excavating starts.
- July 26 1988: Shuttle rolling stock ordered.
- April 21 1990: Half combined length excavated.
- Oct 25 1990: Eurotunnel gains additional £1.5bn credit.
- Oct 30 1990: UK-French contact in service tunnel.
- Dec 1 1990: First people cross to England by foot.
- June 28 1991: Main tunnelling completed.
- Jan 29 1993: New UK envoy to France crosses through tunnel.
- Oct 11 1993: Eurotunnel says £1bn more needed.
- Dec 10, 1993: Contractors hand over tunnel.
- April 21, 1994: Delay in first rail services announced.
- May 6 1994: The official opening ceremony.

One more barrier in Europe has fallen, of supreme importance, though neither the largest nor the last.

In 1987, when Britain and France ratified the Channel Tunnel accord, few would have predicted that it would come to fruition seven years later with east and west Europe reunited by the end of the cold war.

The tunnel to be opened today by Queen Elizabeth II and President François Mitterrand forges a further link in the chain of contact and cooperation across a continent that again is whole and free.

"It was the best of times, it was the worst of times." After months in which elation over the tunnel's prospective opening has been tempered by frustration at delays and financial overruns, Charles Dickens' classic line aptly describes the mood at Eurotunnel, the operator of the 32 mile (50km) link.

Dickens' introduction to *A Tale of Two Cities* - now separated by a mere three hours' rail journey between London's

Step that meets the spirit of the age

The opening of the Channel Tunnel strengthens the argument that the destiny of Great Britain lies in and with Europe, writes David Marsh

aries, schoolboys, prime ministers and madmen.

The problems of constructing the world's longest undersea tunnel cannot be gainsaid. Accomplishing this ambitious infrastructure project without recourse to government funds has been more exacting than the optimists forecast.

The tunnel's overall cost has grown to £10bn. This is more than double Eurotunnel's estimate when construction started six years ago, a time when buoyant economic conditions spurred wishful thinking.

As a result of tortuous teething troubles, a full freight and passenger service will not start until October, causing a large financial loss in the first year of operation and exacerbating pressure on banks and share-

holders. Yet when the overall assessment of the enterprise is drawn up, these burdens should not be allowed to weigh too heavily in the balance. If the skill, ingenuity and perseverance deployed in building the tunnel can be turned towards fashioning the new Europe, then the continent's salvation is assured.

The historic rapprochement between the UK and the rest of Europe advances one more pace. Britain remains tied by formidable bonds of blood, heritage and shared experience to America and the Commonwealth. Yet the tunnel makes more evident and more acceptable the reality that Britain's destiny lies with and in Europe.

The French President and

the British Queen will today turn a new page in relations between two countries joined and separated by a rich vein of turbulent history. In 20 years, the chroniclers of the century's final decade may speak of a new heading. In 50 years, with luck, they may be able to point to a new chapter.

In psychological and geographical terms, today's event is unquestionably of greater magnitude for the UK than for the French. Britain's land connection to the rest of the European Union has hitherto been limited to the troubled border between the Irish Republic and Northern Ireland.

France is already joined physically to Spain, Belgium, Germany, Switzerland, Luxembourg and Italy. From now on,

all these countries will appear, to British hearts, a small but perceptible degree closer than before.

Construction has marked an effort of colossal technical, financial and political complexity. Environmentalists' objections have had to be acted upon, politicians' egos massaged, bankers' nerves calmed, terrorists' ambitions (with luck) thwarted.

The tunnel sets a milestone for many reasons. Achieving such a project without public sector funding has necessitated imaginative and controversial financing techniques.

The venture has literally unearthed new ground in construction and civil engineering technology. It has spurred salutary competition on a much-

travelled route on which sea operators up to now have enjoyed natural dominance, and has opened new perspectives for rail transport and freight haulage across Europe.

The tunnel has intensified Anglo-French cooperation in areas ranging from handling equity flotations and harmonising railway signal equipment to commissioning boring machines and providing fences against rabies-carrying foxes.

More than anything, it is a project both in line with and in advance of the spirit of the times. The two governments were able to reach agreement on a project embodying many of the concepts of economic policy that have come to dominate the agenda of the 1990s: competition, the primacy of private sector finance, the drive to complete the barrier-free single market.

For all the commonly-held

belief in the constancy of national characteristics, the tunnel illustrates what has changed in Europe. The British were once renowned as a race of railway-builders, the French - at least in the popular imagination of the English - as a people inordinately wedded to time-honoured preservation of their forefathers' *passage*.

In the latter part of the 20th century, these roles seem to have been reversed. Ludicrously yet endearingly, Britain has failed to construct a high-speed train link to join the tunnel to London. By contrast, the French engineers of the *Polytechnique* and the *Ecole des Mines* have unwaveringly pressed new lines into service to ensure Eurostar trains race across the Nord-Pas-de-Calais plain before ambulating through the hop groves of Kent.

The tunnel, by itself, will make neither France less French, nor Britain less British. It represents a step towards European convergence, but also illustrates the continent's abiding diversity.

You'll leave Britain
long before
you leave British Steel.

British Steel has been deeply involved in the Channel Tunnel project right from the start.

Its construction depended on our sheet steel piling and service rail track. Our steel plate was at the sharp end throughout the tunnelling phase.

And, now it's finished, you'll travel to France on permanent, high speed British Steel rail track.

We take a rare pride in this involvement. After all, it's not often that our exports go down rather than up.



THE CHANNEL TUNNEL 2

The 160 mph train is coming down the track, says Charles Batchelor

All aboard the 'bullet'

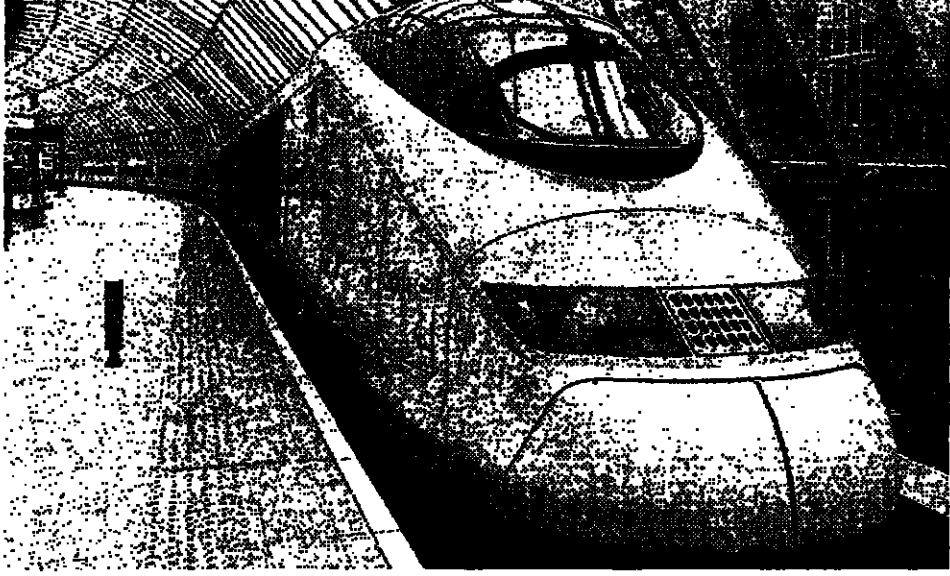
There are few more potent symbols of advanced technology in the 1990s than the high speed train. The fast rail networks being developed throughout Europe promise a remarkable reversal of the steady decline of train travel which has been under way since the end of the Second World War.

High speed rail services have their origins in the Japanese bullet train or Shinkansen which first went into service between Tokyo and Osaka in 1964. But it has been in Europe, with its scattered centres of population and its crowded transport routes, that the idea has taken off.

A growing awareness of the potential of rail travel prompted the European Commission in 1990 to launch a programme to bring together national initiatives. Detailed studies are being carried out by a high speed task force while the scope of the programme has recently been extended to include the countries of eastern Europe.

The programme, which envisages the creation of a European network of high speed lines by 2010, involves the construction of 6,600 miles of new track, the upgrading of a further 9,400 miles of track and the creation of 750 miles of linking tracks.

The new lines are to take trains running at 160 miles per hour and more, while the upgraded lines will handle



A Eurostar train in Waterloo station: slow in Britain, fast in Europe

speeds of about 125 mph. The aim is to make rail an attractive option for business and leisure travel on journeys of between 125 miles and 825 miles. Even longer journeys would be realistic overnight.

Journey times across Europe would roughly be halved with Brussels to Madrid falling to just over eight hours from nearly 16 hours; Brussels to Milan to five hours 15 minutes from 10 hours 30 minutes and Brussels to Berlin to six hours 15 minutes from nine hours.

The benefits of high speed train travel over airplanes and

cars are that it delivers passengers into city centres, it can handle large volumes of traffic, is less polluting than other means of transport and makes more efficient use of energy.

In addition, high speed trains boost passenger numbers on connecting slower inter-city and suburban lines, increasing the financial return to the entire network. They also make an important contribution to regional and economic policies, improving links with peripheral regions.

Choked European airports, crowded skies and congested

motorways have combined to make fast rail travel a viable alternative for many travellers.

The costs of creating a pan-European high speed rail network have been estimated at more than \$60m though it is thought that it could lead to a quadrupling of passenger mileage travelled. Passenger growth coupled with improved productivity could lead to the rail companies achieving a 10 per cent rate of return on the project, it has been calculated.

It is France where high speed trains have made the biggest impact and where the

most comprehensive network has been established although Germany, too, is creating an ambitious network of high speed services.

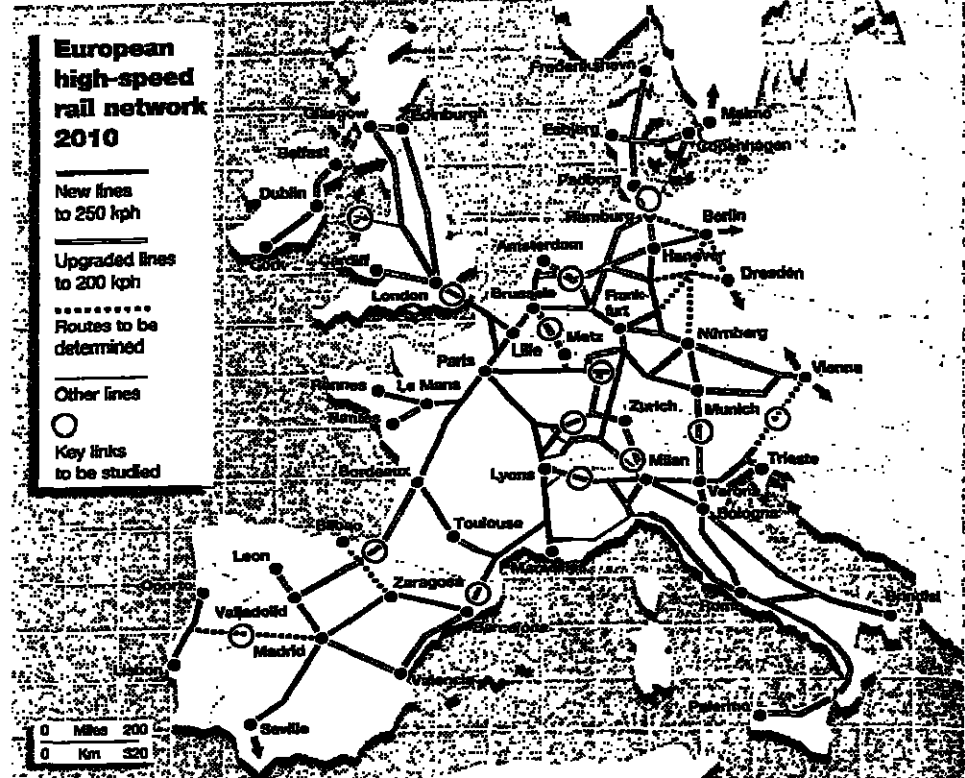
The French railways began operating its first high-speed trains - *trains à grande vitesse* (TGV) - at up to 170 mph between Paris and Lyon in September 1981, halving the journey time to just two hours and doubling the volume of passengers using this route. The TGV Atlantique followed in 1989 linking Paris with Bordeaux, Biarritz, Toulouse and Brittany at speeds of up to 185 mph.

The imminent opening of the Channel Tunnel led to the construction of high speed lines north from Paris to Lille and Calais while work is also under way on a section to the east of Paris linking the northern and southern routes.

Germany began developing a high speed network of Inter-City Express (ICE) trains in 1988 and now has three routes in service including a link with Berlin. The ICE trains are built by a consortium headed by Siemens while French high speed technology has been developed by the Anglo-French company GEC-Alsthom.

Both Spain and Italy are working on ambitious plans to establish high speed networks but both currently run just single lines. The Spanish AVE high speed train, built by GEC-Alsthom, came into service in 1993 on 370 miles of specially built track between Madrid and Seville.

In Italy the Direttissima service runs between Rome and Florence although plans for a larger network have been stalled for several years. However, a consortium of international banks and the Italian railways



is now putting together proposals for a vastly expanded network linking Turin, Venice, Milan and Naples.

At present no high speed service crosses a national border though this will change once Eurostar trains, which are a modified form of TGV, start running between London, Paris and Brussels. But it will not be before about 2002, that high-speed services will be available on the British side of the tunnel because of delays in beginning work on a high-speed line through Kent to London.

The main barrier to cross-border links is the varying technologies used by the different national railways. The Eurostar trains have been designed to take account of three different electricity networks and four signalling systems (including the one in the Channel Tunnel).

Track gauges, the distance between the rails, are not a problem in most of Europe though Spain, Portugal, Ireland and Russia differ from the standard gauge.

A problem for Britain is its smaller loading gauge which means continental European locomotives and rolling stock are too broad and high to fit between British station platforms or under many bridges.

Technical harmonisation is one of the biggest tasks of the task force working on the high speed pan-European network. A priority is to create a unified "command and control" system, combining the latest developments in electronics, computing, telecommunications and avionics, to replace the incompatible national systems.

A potentially worrying development for the European task force is the development by Germany of magnetic levitation technology whereby trains

run on a magnetic cushion above a monorail. The German government gave its approval two months ago for the world's first commercial "maglev" train to run between Berlin and Hamburg at speeds of up to 250 mph.

Maglev technology has yet to prove itself in large-scale commercial use but it does raise the prospect of a competing system which cannot be fitted into the continental network.

Elsewhere in the world conventional "wheels on rail" technology is being used for the development of high speed links. The South Korean government last month gave the go-ahead for the construction of a high speed line between Seoul and the port of Pusan by a consortium headed by GEC-Alsthom. Taiwan has plans for a high speed line between Taipei and the southern city of Kao-Hsiung.

In North America, meanwhile, European manufacturers are attempting to win contracts for high-speed lines in Texas and between the cities of eastern Canada. To date high speed rail links have made their biggest impact in Europe but they clearly have the potential to revolutionise medium-distance travel around the world.

WHAT THE USER GETS

High speed and comfort

For the regular air traveller between London and Paris, the Channel Tunnel rail service is the answer to a jet-lagged dream. Farewell to the interminable London Underground journey to Heathrow airport. Goodbye to the air passenger in front whose seat is pushed back against your nose. No more confused wanderings around the circular terminal one at Paris Charles de Gaulle. Adieu to Ffr250 taxi rides into central Paris.

While many travel agents expect the Eurostar railway service from London's Waterloo station to Paris and Brussels to take business away from the airlines, they say it will not appeal to everyone. And they are less optimistic about the chances of the Le Shuttle car service taking business from cross-Channel ferries.

The Eurostar service is expected to win business from the airlines, particularly among business travellers. European Passenger Services, which will run the trains, has indicated it will charge fares which undercut airline prices.

Mr Simon Beeding, managing director of Wessex International, a club organising business and leisure travel for its members, believes Eurostar could win business even if it charged slightly more than the airlines. "Everyone I've spoken to has said they like the idea of going by train. It takes you from the heart of London to the heart of Paris and Brussels," he says.

Mr Mike Platt, director of commercial affairs at Hogg Robinson Business Travel International, says many of his customers have mentioned the attractions of being able to sit around a table on trains between London and the Continent, running through presentations or preparing for meetings - something which is difficult to do on an aircraft.

For anyone living reasonably close to the centre of Paris or London, travelling by Eurostar could take about the same amount of time as flying. Door-to-door, a journey from a London suburb to central Paris is about four hours. The Eurostar train journey between the two cities is expected to take three hours; door-to-door travel will also be

about four hours.

Mr Platt points out, however, that the Channel Tunnel rail service will not be convenient for everyone. Many business travellers from London live in the Home Counties and they might not be travelling to the centre of Paris. Mr Platt says: "If you're travelling from your office in London SW1 and going to downtown Paris, the train is ideal. But it's not if you're going from your home outside London to a factory outside Paris."

The train service will also be up against one of the airlines' principal attractions: frequent flyer points. Accumulating frequent flyer points has become an obsession with many business air travellers, who use them to take their holidays.

Business travel agents say that European Passenger Services should have no difficulty developing attractive customer loyalty programmes. Paris and London are popular tourist destinations for the British and the French respectively. The opportunity to collect points towards a family visit to either capital would be a strong incentive for many Eurostar customers.

If the attractions of the Eurostar services will be obvious to many, those of Le Shuttle will be less so. Cross-channel ferries have succeeded in recent years in making the journeys they offer more pleasant, with bright decor, children's play areas, cinemas and better restaurants and shops.

Car shuttle services are expected to be relatively spartan, with travellers remaining with their cars during the journey and the price of travelling by shuttle will be higher than crossing by ferry.

But Mr Peter Shanks, retail commercial director at travel agents Thomas Cook, points out the time advantage to travelling by shuttle. From motorway to auto-roads, travelling time by shuttle will be 60 minutes. By ferry, it is 90 to 90 minutes.

Mr Shanks expects that by next year Le Shuttle will have 40 per cent of the non-air, non-rail traffic, compared with 60 per cent for the ferries, and by 1996, 50 per cent.

Michael Skapinker

WE MADE IT.

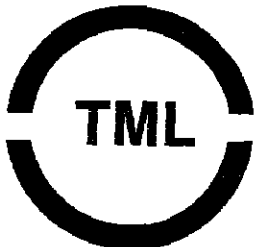


Photograph courtesy of QA Pictures

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The project is already legendary. The longest underwater tunnel ever constructed. The world's most advanced transport system. A project unparalleled in civil engineering history.

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All that's left to say is a big thank you to the whole team and best wishes to Eurotunnel for the future.

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THE CHANNEL TUNNEL 3

The opening of the tunnel creates enormous opportunities for rail freight transport in the UK.

With few freight journeys economical at distances of less than 300 miles, the land-locked British rail network has in the past been unable to compete with road.

The completion of an undersea rail link with France changes all that. The 10,000 miles of British railway track will be joined to the mainland European network of 150,000 miles.

Transit times of just 26 hours between Manchester and Stuttgart and of only 30 hours between London and Milan should now be achievable.

"The opening of the Channel tunnel will give us a very large railway to sell," said Mr Ian Brown, managing director of Railfreight Distribution (RFD), the British Railways' freight arm responsible for container and other shipments to the Continent.

Freight is expected to take up an important chunk of the 50 per cent of tunnel capacity which has been booked by the national railway companies. It is also forecast to account for a large part of Eurotunnel's revenues from running shuttle trains between Folkestone and Calais.

RFD hopes that the opening of the tunnel will increase current train freight volumes from 2m tonnes a year to 6.5m tonnes within two years and 9m tonnes by about 2000. At

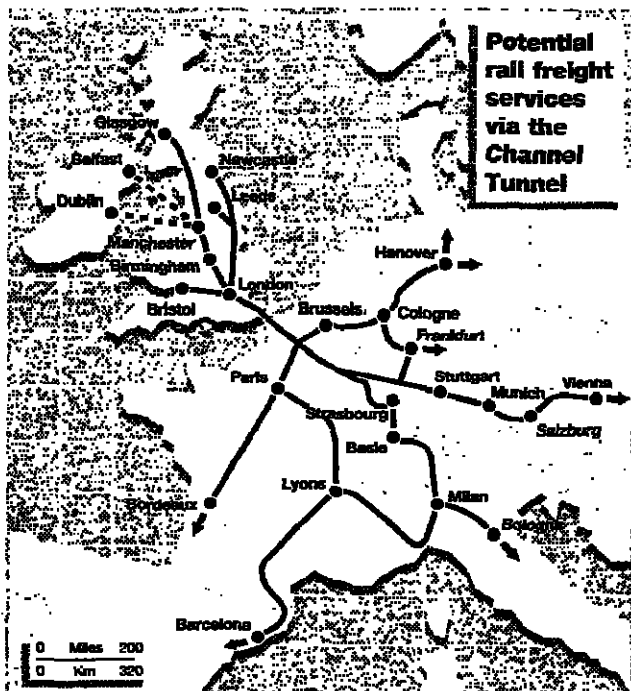
Freight will take a big chunk of the capacity booked by the railways

present railborne freight, which goes by train ferry from Dover to Dunkirk or by lift-on, lift-off container ship between Harwich and Zeebrugge, accounts for just 7 per cent of cross-Channel shipments by container, closed rail wagon or lorry.

RFD hopes to develop its container business and conventional bulkier shipments of cargoes such as steel, paper and wood products and white goods.

It has contracted to carry Ford vehicle components to Spain and completed Rover cars in specially built double-decker wagons to Italy. Success will depend, to a large degree, on RFD persuading potential customers that it can provide a high standard of service. Many shippers have given up on BR in the past because of the unreliability of its freight deliveries.

An important advantage of road transport is that the driver stays with his truck to



Potential rail freight services via the Channel Tunnel

British Rail expects a boom in freight traffic, writes Charles Batchelor

Volume could treble by 1996

ensure that the cargo reaches its destination on time and in good condition.

To overcome this suspicion RFD has promoted the creation of three joint venture companies in which road hauliers and shippers also have a shareholding. Combined Transport (CTL), Allied Continental Intermodal (ACI) and Unilog will sell freight capacity to hauliers and freight forwarders.

Increasing rail freight traffic will also involve a change in attitudes in the UK towards what is known as intermodal or combined traffic, the shipment of goods by more than one means of transport, in this case road and rail. Because of the long distances involved in mainland Europe, intermodal traffic is much more widely established on the Continent.

Apart from containers, it can take three main forms: piggyback shipments which involve standard truck trailers being carried on specially designed low platform rail wagons; swap bodies which are effectively truck trailers without the wheels; and roll-on/roll-off transport where the complete road vehicle, including the tractor unit and cab, are loaded on to the train.

Intermodal shipments within Europe rose to 20.1bn tonnes/kilometres in 1993 from 19.1bn the year before and 15.4bn in 1988, according to the International Union of Rail-Road Transport (UIRR), which groups 17 companies

throughout Europe.

The European Commission is keen to promote the increased use of intermodal shipments to relieve pressure on busy transport corridors, to reduce exhaust emissions by trucks and to increase road safety. It has enabled combined transport operators to claim financial support from their national governments for investment in equipment.

Some continental European governments have granted concessions on road tax for vehicles involved in combined transport activities. Germany, for example, has given 100 per cent refunds for vehicles which carry out a specified number of journeys in a year.

The UK meanwhile is raising the weight restriction on trucks serving regional rail terminals from 38 to 44 tonnes. But despite the continuing growth of intermodal shipments, the UIRR is concerned at what it sees as a bias towards roads in the European Union's policy of liberalising transport.

With the exception of Switzerland and Austria, which are not EU members but which are keen to get lorries off their roads and on to rail, no country has made satisfactory efforts to promote intermodal transport, it said in its 1993 annual report. That further investment in intermodal capacity is needed was confirmed by a study by consultants A.T. Kearney. This revealed that a shortage of

road/rail terminal capacity and the lack of a standard loading gauge (which determines the width and height of wagons) on Europe's railways were constraints on growth.

On many journeys combined transport could compete with road on price but on average

More freight will involve a new UK attitude to inter-modal traffic

road/rail journeys were slower than those made solely by road.

Intermodal shipments travelled at an average of 37 kilometres/hour while road shipments went at 69 km/hour, the survey found.

Improvements in the quality of the service, more active marketing and the creation of a standard loading gauge could lead to a trebling of intermodal shipments, which were just 4 per cent of total shipments at the time of the survey.

The cost of introducing a standard loading gauge would be enormous, as RFD has found with work involved in upgrading just a small part of the British network. Modifying even a limited number of routes from the Channel tunnel to the Midlands, the north west of England and Scotland to what is known as the Berne gauge would cost more than £3bn, it has calculated.

RFD has compromised by designing a new fleet of

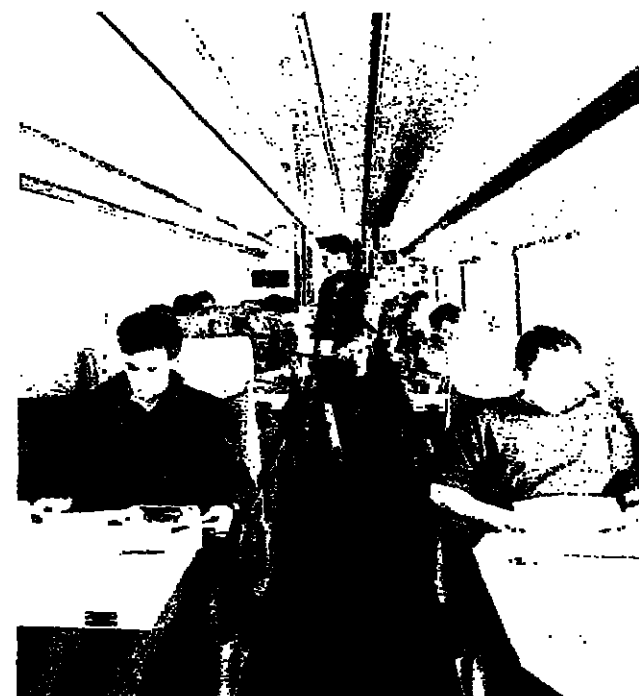
low-platform wagons, which avoid the need for a full-scale conversion to the Berne gauge, and by renewing bridges on key routes.

Even so, its total investment in preparing for the Channel tunnel has amounted to £450m. This has created a freight network which links into nine regional freight terminals which are owned by the railways as well as a number of privately owned terminals which are currently being developed.

If all goes well RFD hopes to have six trains a day travelling through the tunnel this summer rising to 16 trains each way by the spring of 1995. Britain would then be finally plugged into the European rail freight network.



The undersea crossover between the north and south rail tunnels. Picture: O.A. Photos



Lorry drivers in the amenities coach. Picture: O.A. Photos

THE CHANNEL FUNNEL.

Sir Alastair Morton, co-chairman of Eurotunnel, is pugnacious, blunt to the point of rudeness and can be a bully. At other times he can be charming and humorous. He is undoubtedly charismatic and commands a grudging respect even from his critics.

No one has dominated the construction of the Channel Tunnel quite like Morton. Over the past six years he has antagonised contractors, battled with BR and SNCF, and criticised government ministers, particularly British, for holding back the project.

Joe Dwyer, chief executive of UK construction group Wimpey, when Morton last summer was simultaneously threatening to sue for damages contractors, BR and SNCF and the British government, sighed: "Surely, we cannot all be in the wrong."

Morton's detractors insist that the row with British and French contractors over their claims for extra payments could have been settled and the project opened earlier but for his stubbornness and belligerence.

But his aggressiveness may not have been a disadvantage as far as the banks were concerned. They needed to feel confident that they were giving their money to a tough client who would fight to protect their interests.

The banks on several occasions supported Morton against attempts by contractors to unseat him. It is also doubtful that Morton could have persuaded the banks

His pugnacity may have been no disadvantage in handling the banks

much earlier to accept the settlement finally agreed with the contractors.

Even his fiercest critics among the construction companies admit that the project would never have started but for the energy and determination displayed by Morton in persuading banks and financial institutions to part with their money in the first place and then to stick with it when the going got tough and costs started to rise.

His sharp mind and previous experience of working in the City gave them comfort that he



Sir Alastair Morton: tough and charismatic. Picture: Ashley Ashwood

Profile: ALASTAIR MORTON

Eurotunnel's strongman

would keep a tight rein on the project's finances.

Morton, 56 last January, was born in Johannesburg. His father was a Scottish oil executive and his mother a member of an old Afrikaner family. He has never shrunk from speaking his mind whether to journalists, fellow executives or supposedly recalcitrant construction companies.

It appears that he almost delights in rubbing people up the wrong way. He has been described as a man who cannot pass a calm pond without throwing a large rock into it, just to see what happens.

He will fight fiercely, not shrinking from personal attacks, to defend his judgment. He is a busy sender of letters and faxes to editors and others who have taken opposing views or have offended.

For such an outspoken character, he harbours surprisingly few grudges.

One French contractor involved in the long running battles over costs said: "After the storm there is the calm. Alastair having argued until he is red in the face that you

are wrong, will suddenly say 'OK you win' and he will be absolutely charming."

Equally, he has not been afraid to back his judgment when he feels he is right. He resigned as managing director of the British National Oil Corporation after clashing with BNOC's chairman Sir Philip Shelbourne over privatisation.

The Bank of England subsequently prevailed upon him to take the helm at Guinness Peat, the ailing banking group. He publicly rowed with the bank's founder and major shareholder, Lord Kissin, over asset disposals and resigned after a successful hostile takeover by Equiticorp of New Zealand.

Chancellor Kenneth Clarke has now appointed Morton head of a working group to encourage greater private sector investment in infrastructure.

He will not shrink from criticising government if he thinks this necessary and contractors may yet be glad to see their former adversary lining up on their side.

Andrew Taylor

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THE CHANNEL TUNNEL 4

The French, with their natural panache, describe it as the project of the century. History will recall that they were correct. The Channel tunnel by any measure ranks as one of the world's great engineering feats.

The success in completing the 50km (32 miles) crossing beneath the sea bed, in three tunnels, under one of the world's busiest waterways compares with the construction of the Suez and Panama canals.

Memories of the bitter squabbles over costs and delays punctuating more than six years of construction will dim as future generations take pride in achievements of the British and French builders.

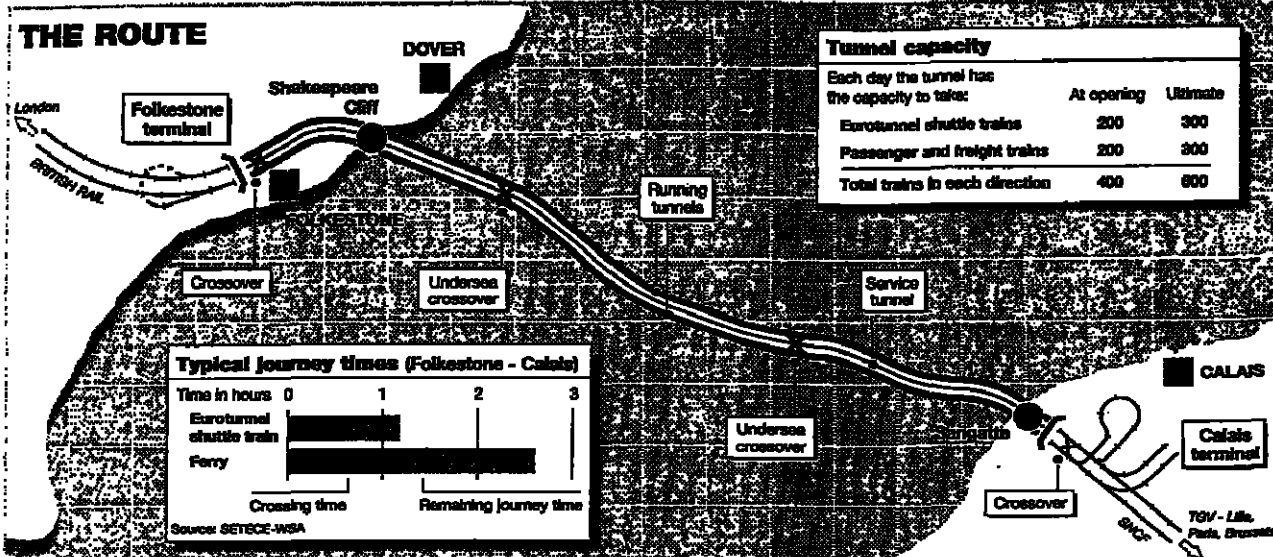
It has been a massive feat: 150km of tunnels have been bored and lined with more than 800,000 concrete segments weighing anything up to nine tonnes each.

Into these have been installed more than 22,000 tonnes of railway track, accompanied by more than 1,000 km of power cables and for signalling and communications.

Jack Lemley, chief executive of Transmanche Link, a consortium of five French and five British construction companies which designed and built the project, says: "In six and a half years we have created Europe's longest tunnel, the longest under-sea tunnel and the world's most advanced transportation system."

Rail traffic and engineering management constantly monitor 30,000 separate locations in the network - one of the largest systems of its kind outside of the space programme. Information is relayed through these fibre optic cables carrying 700m bits of data every second.

At either end of the tunnels are electricity sub-stations each of which is capable of powering a city the size of Lille. Fifteen thousand supports had to be installed inside the tunnels to carry the catenary powering the trains. This involved the handling of about 1m separate components.



It's a roll-call of engineering achievements, writes Andrew Taylor

The longest subsea tunnel

Michel Barbier, responsible for the early stages of the installation of mechanical and electrical equipment from France, described the process of transporting such a vast quantity of equipment and personnel through the narrow aperture of the tunnel mouth as like "force-feeding a goose in a very short space of time to produce the best ever *pâté de foie gras*".

The goose has now been stuffed and Transmanche says the volume of mechanical electrical equipment installed is equivalent to building 10 cement works, 20 sugar refineries or two large nuclear power stations.

The concrete linings of the tunnel have a crushing strength approaching twice that of concrete used in pres-

sure vessels of nuclear power stations. They were manufactured at two purpose built factories, one at the French terminal and the other on the Isle of Grain in the Medway and Thames estuaries.

All of this is a long way from where the consortium started in the summer of 1987 when the British and French parliaments approved legislation allowing construction to commence.

On the site of the completed terminals near Folkestone, Kent and at Coquelles near Calais in northern France it is difficult to remember that this was once open countryside. The French site now contains a development the size of Heathrow airport. It was previously a marsh which had to be drained before work could start. The terminal now has its own water treatment plant capable of serving a town with a population of 20,000.

The ground of the Folkestone terminal, the size of Heathrow's Terminal Four, had to be raised by up to 12

metres. This involved pumping 2.6m cubic metres of sand dredged from the Goodwin Sands, thereby avoiding half a million lorry movements.

Construction of such a vast venture had many problems. Ten lives were lost during the building - eight on the British side and two in France - requiring Transmanche to improve its health and safety standards, particularly training for tunnel workers.

Tunneling initially was very slow and cost more than planned. Ground conditions under the British coast were much worse than expected. Salt water, percolating through fissures in the rock, affected the delicate controls on the 200 metre-long tunnel-boring machines.

Attempts to insulate equipment caused overheating, periodic engine fires and many breakdowns. At one stage progress under the Kent coast was less than 20 metres a week, compared with more than 300 metres a week later.

Mr John King, director



Jack Lemley of Transmanche: a list of superlative statistics

responsible for the British tunneling, later admitted: "There were several times when I thought we might not make it. One of the worst moments was when, with water still pouring through tiny fissures in the roof of the tunnel, we had to decide whether the modifications we had made to the machines would be sufficient to let us proceed. If they had not worked I do not know what we would have done; fortu-



Excavating the chamber to accommodate the first tunnel boring machine at Shakespeare Cliff, Dover

nately, they worked." At peak production, 2,000 tonnes of chalk muck an hour were taken out of the British end of the tunnel alone to be deposited into lagoons at the base of Shakespeare Cliff, between Folkestone and Dover. The spoil contained within a purpose-built sea wall added 73 acres to Britain's land mass.

In total more than 20m tonnes of spoil were removed from the tunnels along a narrow gauge construction railway totalling more than 300km. At the same time as spoil was being removed, concrete linings and equipment were being brought into the tunnels.

The biggest problem facing contractors was that work was taking place before detailed designs for many parts of the project could be completed. It was not until plans started to emerge for the trains and transport system that it became apparent that a cooling system, which had not been included in the original proposal, would need to be

installed. Friction caused by the passage of some of the largest trains in the world together with heat generated by the sophisticated signalling, communications and other installed equipment would have increased the temperature inside the tunnels to 30degC.

To compensate, a cooling

system was installed, involving pumping 220 litres of water a second chilled to 3degC through several hundred kilometres of pipes. The capacity of the cooling plants is equivalent to 25,000 domestic refrigerators.

Design changes, imposed by the Inter-Governmental Commission established by the two Governments and responsible for granting Eurotunnel an operating licence, also have

added to delays and increased costs. In one instance, the commission demanded that fire doors connecting the shuttle wagons be widened by just 10cm requiring substantial re-engineering of the wagons.

The enormous air pressure created by large trains travelling through the tunnel at up to 160km per hour meant that every component installed in the tunnel had to be designed within specific aerodynamic coefficients creating additional problems for designers and contractors. Supports for pipe-work caused serious problems because they were too fragile even though they satisfied aerodynamic standards.

In total, 30,000 light fittings have been installed in the tunnels, each of which has to be taken into consideration in terms of their effect on the temperature and aerodynamic efficiency of the system as a whole. Given the problems that have had to be overcome it is a wonder that the project did not take even longer and cost more to complete.

Bronwen Maddox describes the environmentalist backlash in England

Fierce clashes all the way

"When they came to build the Channel Tunnel they told us they didn't need the line. So we let them build the Channel Tunnel. Surprise, surprise - this is what we find."

Those are the opening lyrics of *Joan of Kent*, a new musical now touring Kent and London which protests against the construction of railway links to the tunnel.

The environmental impact of the tunnel has caused some of the fiercest debates during its planning. Most of that heat has been focused on the size of the terminals, and the route and design of the new rail lines between London and the tunnel mouth in Kent.

While the tunnel debate has been underway for years, in recent months the government has shown itself to be worried about public opposition to the encroachment of development on the countryside. It has announced a scaling-back of road building, partly on environmental grounds.

Conservative backbenchers suggest that the desire for

more conservation may play a part in the forthcoming local and European elections, particularly in the Conservative strongholds in the south of England. However, in the case of the Channel Tunnel, the consortium argues that it has gone to great lengths to minimise the impact on the environment. In building the Folkestone terminal the construction companies transplanted a 12-acre of woodland called Biggin's Wood, the size of Heathrow's Terminal 4, to a site nearby when it was clear that the trees were at risk.

Environmentalists have also welcomed some features of the railway route that has eventually been chosen. It avoids the marshes near the estuaries of the Thames and Medway, which are rich in wildlife, particularly migratory birds.

They have also supported the decision to lay much of the new track alongside existing road and rail routes, thus minimising the impact on previously unspoiled countryside. But some campaigners are

disappointed that more of the lines are not buried in tunnels, and accuse the government of underfunding the project.

Mr Robert Baxter, chairman of the transport group in the Kent branch of the Council for the Protection of Rural England, says that part of the line will pass through sensitive downland on either side of the Medway river, and ancient woodland near Cobham.

Local pressure groups are also concerned about development, as yet unplanned, which will be precipitated by the tunnel. In particular, the mooted construction of another passenger station in Kent "will mean large amounts of carparks and infrastructure", Mr Baxter says. "Those will bring more commuters into Kent and increase the pressure on its environment."

Environmentalists also point out that the rail lines will have difficulty in carrying large volumes of freight because the gradients on several stretches are steep. Freight trains may need two locomotives to overcome the gradient, they suggest. Freight traffic, they fear, may continue

to use the roads, thereby increasing air pollution.

Further concern about the tunnel's impact centres around the problem of disposing of the spoil from the tunnel borings.

The solution has been to deposit the rock and sand at the foot of the White Cliffs of Dover. A platform, reinforced with concrete, has been built from the waste, extending 1km along the cliffs and a third of a kilometre out to sea. The top of the platform has been made into a picnic area.

However local conservationists have been concerned that the platforms, which are about a quarter of the height of the cliffs, spoil the view of Shakespeare Cliff which was named after a scene in *King Lear*.

They also fear that the platform could alter tidal flows and affect the wildlife on the site of special scientific interest at the head of the cliffs.

Despite these concerns, many environmentalists acknowledge that the impact of the tunnel is considerably less than was first feared.

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■ Profile: GEORGES-CHRISTIAN CHAZOT

Mission: start making money



Georges-Christian Chazot of Eurotunnel: a baptism of fire

The past four months have been a baptism of fire for Mr Georges-Christian Chazot, Eurotunnel's chief executive. Appointed in January to turn a large construction project into a profitable transport undertaking, he has been faced with a succession of postponements to the start of commercial operations.

As passenger and freight services on both tunnel shuttles and the long-distance through trains come on stream, revenues will start to flow but up to £100m of fares have been lost.

Steering the £100m project into profitability represents an enormous challenge. Covering interest charges alone will cost about £550m a year and the success of the whole venture depends on Eurotunnel both appealing to existing travellers and persuading new ones to cross the Channel.

At the time of Mr Chazot's appointment Eurotunnel said it did not want him to be overwhelmed by the problems of the past but inevitably they have cast a long shadow.

The move to Eurotunnel represented a high-profile move

for a manager, who, for all his long experience of both industry and the service sector, was little known outside his native France. Nevertheless, Mr Chazot's career in international companies makes him well suited to handle the challenges facing Eurotunnel, commented one French banker.

Educated at the Ecole Polytechnique in Paris and at the University of Florida, Mr Chazot acquired a degree in elec-

trical engineering and a diploma in marketing. He then spent 14 years each at Schlumberger, the international engineering group, and CGE (now Alcatel Alsthom), the telecommunications company. Although both are large industrial concerns, Mr Chazot counts as one of his achievements the transformation of Saft, Alcatel's battery subsidiary, from a company with "a culture of high-tech arrogance

to a service-minded corporation."

From Alcatel Mr Chazot went to Adia, a Swiss temporary employment agency, running its French subsidiary for 18 months. This, he says, broadened his experience of working in the service sector.

It also exposed him to a market place where price and margins were particularly important. Eurotunnel and the ferry companies say they are keen to avoid a price war but the huge increase in cross-Channel capacity represented by the tunnel makes fierce tariff competition almost inevitable.

Mr Chazot's recruitment, at the age of 54, to Eurotunnel followed a search by teams of headhunters in London and Paris. Nationality was not a factor, according to Eurotunnel, which says it was looking for the best person for the job regardless of origin.

Mr Chazot denies that he regards himself as particularly French. "My basic business education was in the US for the first three years of my business life," he says.

Mr Chazot has not only had to cope with the problems of commissioning the tunnel's systems and its rolling stock. He has also had to make a mark for himself in a post previously filled by Sir Alastair Morton. Sir Alastair it was who brought a project riven by conflicts between contractors and customer back on course.

He has stayed on as co-chairman, alongside his French counterpart, Mr André Bénard, to resolve outstanding disputes and to prepare for the raising of another £150-£1.5m of equity and loan finance.

Professionally, Mr Chazot is devoting his time to a project which may put some ferry operators out of business. At the very least the tunnel will capture a large part of the ferry's market share.

There is a certain irony therefore in the fact that Mr Chazot is a keen amateur sailor, though he has never sailed his 35-foot racing yacht, *Eloisa*, across the Channel. His present job has involved more journeys under the Channel than over it.

Charles Batchelor

Mr Pierre Mauroy, the mayor of Lille, is a man whose large unflappable features remain undented by his trouble-torn spell in 1981-83 as the first Socialist prime minister of France's Fifth Republic, writes DAVID MARSH.

In his splendid office in Lille's belvedere town hall, Mr Mauroy recalls with considerable pleasure his part in ensuring the tunnel's construction.

"With coal, textiles and steel, we were a traditional industrial region, a subcontractor for the Paris region. I said you

■ Interview: Pierre Mauroy on the wooing of Mrs T

It had to be 'oui'

need something to strike the imagination - above all to spur the service sector and create additional employment."

He says he brought up the subject of the tunnel with Mrs Margaret Thatcher, then British prime minister, at an Anglo-French meeting in 1982.

"It was me who spoke to her about it for the first time. We were at a Scottish castle, near the loch where the monster is found. She arrived early. She didn't want to be too disagreeable. But she said, 'I'm not giving you a penny'. I wanted to talk to her about the tunnel,

and she kept insisting on Britain's rebate [from the European Community budget]. But I pushed her: tunnel, tunnel, tunnel. At the EC summit in Fontainebleau in 1985, Mr Mauroy says proudly, "We came to agreement."

Mr Mauroy sees Lille's new

links to northern Europe as a vital means of giving the region new life. Unemployment, around 12 per cent in Lille, is however a black spot. He points out that the region's electorate voted by a majority of 56 per cent against the Maastricht treaty in the referendum in September 1992. "The region is European. But the people are starting to lose hope."

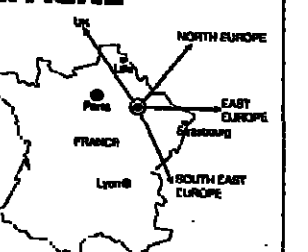
"There is a link between development of the region and the idea of Europe. If Europe is able to offer them a perspective for improving their situation, they are European. If unemployment rises, and they see no way out, they become anti-European."

A great supporter of European economic and monetary union, Mr Mauroy says, "If developments in Europe continue as they have done during the past few years, it will lose the support of its citizens." The tunnel is Mr Mauroy's strongest hope for keeping the people of Lille on the main line to Europe.

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THE CHANNEL TUNNEL 5

The opening of the Channel Tunnel and a fixed rail link between Britain and the Continent will provide a welcome boost for the European Union's transport policy.

Previously fragmented programmes were brought together in a white paper published in 1992 which set out proposals to promote the use of rail and sea and canal shipping transport and to rein in the rapid growth of road and air journeys.

In physical terms the Channel Tunnel represents a further link in the transport chain which seeks to connect peripheral regions with the centre and reduce geographical barriers to travel.

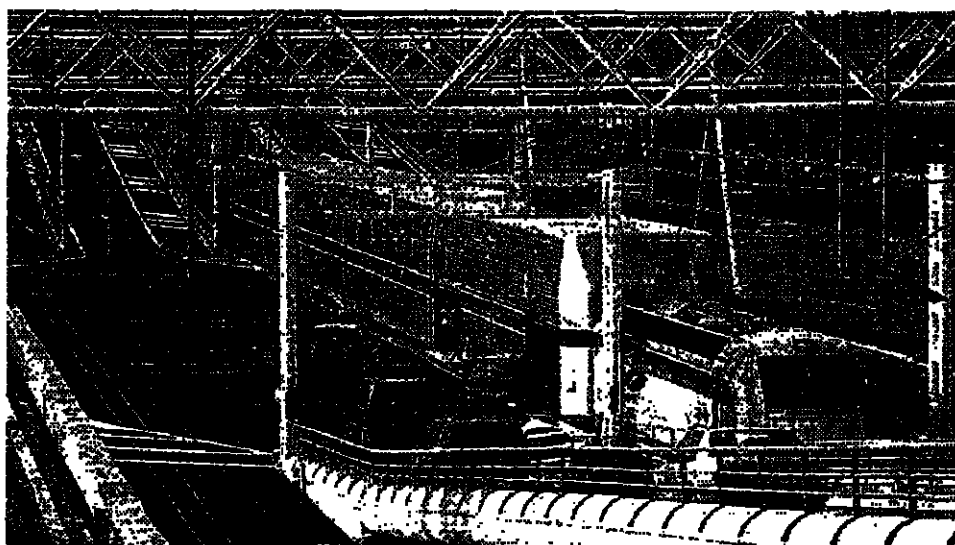
Elsewhere in Europe road and rail links are being established between Denmark and Sweden, additional rail tunnels are planned to link northern and southern Europe through the Swiss Alps and Spain and France through the Pyrenees.

After many years during which planning for road, rail, air and sea transport took place in isolation, the European Commission produced its outline of a common transport policy in December 1992. The creation of the single European market on January 1, 1993 had given additional impetus to the project.

One of the main problems it sought to overcome was the imbalance between the different means of transport. The rapid growth of road transport, in particular, had led to a decline in the use of other networks, notably rail, increasing congestion and damage to the environment.

Passenger travel within the EU has risen by 85 per cent over the past 20 years, mostly in the form of private car journeys, which account for 78 per cent of all travel. Freight shipments have increased by half but road transport now accounts for 70 per cent of goods transported while rail and inland waterway transport have declined in relative terms.

One way of encouraging the



Cars drive on to the double-decker shuttle wagons at the Folkestone terminal. Picture: Q.A. Photos

Charles Batchelor looks at Europe's changing map

The periphery draws nearer to the centre

use of rail, particularly for freight purposes, is to encourage the development of integrated transport systems so that goods can be moved by road for part of the journey and then transferred to rail, ship or barge for the long-haul section of the route. This requires investment in special rail wagons to carry trucks and trailers and in terminals for handling the transhipment of containers and the like.

Speeding up journeys can also make rail attractive to both passengers and freight. High-speed trains running on dedicated or upgraded tracks are reducing inter-city times for business and leisure travellers while improved track and handling facilities can speed up freight shipments.

At the same time the commission is keen for travellers to bear the full cost of their journey through the use of

road tolls and the harmonisation of duties on the different types of fuel. Car travellers are rarely made aware of the cost of their journey at the point of use while rail travellers are very aware of the price of their ticket.

The International Union of

Two fast Alpine rail tunnels are planned to link Basel with Milan

Railways (UIR), which groups railway organisations from around the world, believes that the active promotion of rail transport and substantial investments to modernise the network would result in a healthier transport balance. It believes the growth in rail travel in western Europe could increase to 3 per cent a year compared with a 1 per cent rise

in road transport and a 4 per cent rise in air traffic.

If nothing is done rail travel growth would remain stuck at 1 per cent a year while road transport would grow by just over 2 per cent and air by 6 per cent, a recent report by the UIC's strategic planning committee calculated.

Switzerland, which is not a member of the EU, has increased the pressure for a shift towards rail freight. A referendum last March produced a vote in favour of a complete ban on transit lorry traffic through the Alps to take effect in 2004.

This added urgency to plans already under consideration to build two new high-speed north-south rail lines through the Alps connecting Basel with Milan. Two new tunnels would be drilled at a low altitude so that trains would not have a steep gradient to climb and

could maintain speeds of up to 125 miles an hour.

One line would go under the Gotthard pass, the most highly travelled transit route today, while the other would go through the Lötchberg south of Bern and continue on the existing rail tunnel under the Simplon pass. Work is expected to start in 1996 for completion in 2007. The Swiss believe that existing tunnels will be able to cope with traffic displaced by the lorry ban from 2004.

Despite attempts by the EU and neighbouring countries to shift traffic off the roads the transport white paper recognises the important role of an efficient road network. As part of its transport planning the EU has drawn up a blueprint for a Trans European Road Network (TERN) to be completed by 2002.

This is a network of high-speed roads, motorways or four-lane dual carriageways, linking the main ports and cities of Europe and tying peripheral regions more closely into the centre. Cities of 500,000 inhabitants and more would have external ring roads.

The announcement of this programme has caused concern in parts of the UK where local communities fear that all roads on the TERN system will be upgraded to motorways, though this has been denied by the UK department of transport. The EU plans to devote additional resources to creating this network but it will be expected to fit into national road building programmes.

An important gap in European road and rail networks which will shortly be closed is the sea barrier between the islands of Denmark and Sweden.

A combined tunnel-bridge taking both rail and road traffic between the Danish islands of Funen and Zealand is due to be completed within the next year or so while plans are also far advanced for a 10-mile-long crossing of the Oresund between Copenhagen and Malmö. The crossing, also a combined bridge/tunnel, could be completed by about 2000.

The highly visible physical links between the different parts of Europe such as the Channel Tunnel and the Oresund crossing are finally being completed. But it will take far longer and cost even more to create a healthy balance between the established transport networks in Europe.

SECURITY

On guard against accidents and terror

The financial pressures on the tunnel to open on schedule have taken second place to the key commercial imperative of ensuring - to the maximum extent possible - that it cannot permanently be crippled by an accident or terrorist attack.

Among the numerous security staff, intelligence officers, police, fire brigade, ambulance, and army personnel on both sides of the Channel engaged in the project is Tony Blyth, a former British Rail operations manager who is the tunnel's safety director. "If we have a major accident, we are dead as a company," he says.

Two other key people are Detective Superintendent Cliff Grieve, the UK head of ports and tunnel policing, and Commissaire Principal Marc Haem

security comes under the political umbrella of a lengthy protocol agreement. This was initiated at Sangatte by the UK and French governments in November 1991 and technically came into force in August last year.

The Sangatte Protocol takes its cue from the Schengen trans-European policing agreement, of which France but not the UK is a signatory. It thus represents a totally new experience for the British police who have tended to resist encroachment on their territory by any of their European counterparts.

The Protocol gives extrajurisdictional powers to British and French police officers in specially designated control zones at the international terminals in London and Paris, and in the shuttle terminals at Cheriton and Coquelles. The through trains are also control zones where both police forces will have powers of arrest.

Article 10 of the Protocol states: "The officers of the adjoining State shall, in exercise of their national powers, be permitted in the control zone situated in the host State to detain or arrest persons in accordance with the laws and regulations relating to frontier controls of the adjoining state or persons sought by the authorities of the adjoining state."

In spirit the Protocol, as defined in Article 5, aims to simplify and speed up the formalities which normal law abiding passengers either travelling by train or the Shuttle will have to comply with when using the tunnel.

At the same time, it aims to harmonise security and safety arrangements so as to ensure that any emergency or threat is reacted to speedily and effectively without getting bogged down in disputes over sovereignty.

In the run-up to the opening of the tunnel, the application of the Protocol has been put through a trial run in joint exercises and interminable meetings.

The exercises have shown up failures in a number of areas including fire-fighting equipment and communications. The meetings have produced some stormy sessions in which British and French officials have argued over issues ranging from whether some dangerous goods vehicles should be allowed through the tunnel to the use by French police of small arms in and around Waterloo station.

Eurotunnel says the setbacks form part of the inevitable teething problems of any engineering project of such a size and complexity. "We want to get it right before letting the general public in," insists Tony Blyth.

On the policing side, Kent officers and their counterparts in and around Coquelles say

it will be up to Eurotunnel to ensure that mounting commercial competition does not lead to laxity

they have developed a good working relationship over a number of years.

But they are only cogs in the large security and judicial machinery which will be truly tested only when the tunnel is fully operational.

A recent risk assessment commissioned by the London based Research Institute for the Study of Conflict and Terrorism concluded that the Channel Tunnel was probably the least vulnerable to major damage of any under-sea tunnel in the world.

However, several experts believe that the biggest threat to the tunnel stems from its being a prestige target for terrorists.

Much of the burden of responsibility will lie with Eurotunnel, however, in ensuring that the commercial pressures do not lead to greater laxity over security and safety checks.

Jimmy Burns

Andrew Baxter studies the special rolling stock and who has built it

Europe wheels out its best

The supply of trains for the Channel Tunnel - locomotives, rolling stock, wagons for cars, coaches and freight - has been a remarkable pan-European effort, even if there have been plenty of delays and arguments along the track.

Technical challenges and the sheer scale of the project - and hence the size of the contracts - are partly to blame for time-table slipping.

On top of that, however, the contracts were awarded, and are on their way to completion, during a period of intense upheaval in the railway equipment industry, whose overcapacity problems are forcing it to consolidate across Europe.

In summary, the main contracts are as follows:

● Eurostar trains. Transmanche Super Train Group, led by GEC Alsthom, is building the 31 Eurostar trains for the inter-capital day service - London to Brussels and Paris - at approximately £24m apiece.

● Eurostar trains beyond London. The same consortium is building seven slightly shorter Eurostar trains for the daytime services from Scotland and from Manchester to Paris and Brussels.

● European night services. Metro-Cammell in Birmingham, which is part of GEC Alsthom, is building the 139 units of rolling stock for these services, which will go from Glasgow, Plymouth and Swansea to Paris or Brussels, and from London to Amsterdam, Dortmund or Frankfurt.

Nine of the 46 Class 92 locomotives being built by Brush Traction, part of BTR, for British Rail and SNCF, the French railways, will be used to haul these services, at least as far as Calais.

● Freight services. The remaining 37 Class 92s will be used by BR's Rail Freight Distribution, and SNCF's freight service, to carry freight through the tunnel and beyond. Arbel Freight Rail, based at Douai in northern France, is building low-platform intermodal wagons - which can carry freight in containers and "swapbodies" - and fully-enclosed wagons for shipping new cars.

● Le Shuttle. Thirty-eight locomotives for

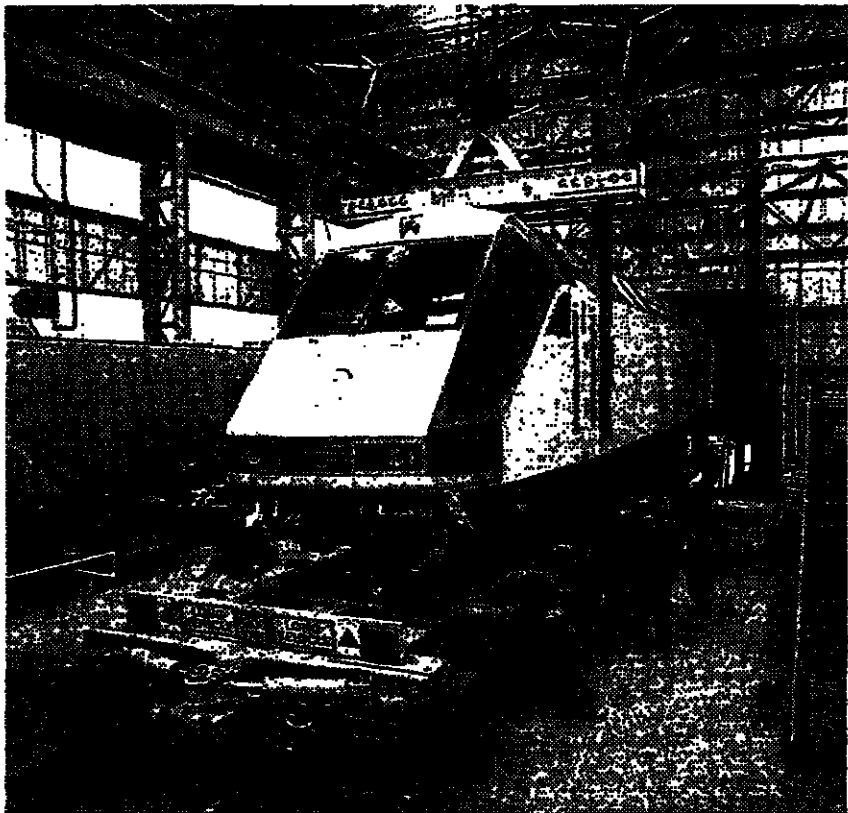
The contracts are on their way to completion in spite of upheaval in the railway equipment industry

the cross-Channel car, coach and truck service are being built by Brush Traction in Loughborough and Asea Brown Boveri, the Swiss-Swedish engineering group.

ESC Wagons, a consortium created by Bombardier of Canada and its subsidiary Bombardier EuroRail, is responsible for building 254 double- and single-deck wagons for Le Shuttle. The single-deck vehicle carriers were assembled at BNF Industrie and the double-deckers at ANF Industrie at Valenciennes, France. The manufacture of 19 single-deck loaders, included in the total of 254 wagons, was subcontracted to Fiat Ferroviaria in Turin.

The Italian company, in consortium with Breda Construzioni Ferroviarie, also won the contract for the design and construction of 270 wagons to carry heavy goods vehicles and cars.

The delays and controversy have centred on Le Shuttle railcars and Eurostar trains. In December, Bombardier said it expected to make a loss on its £350m contract to supply railcars, signed in 1989, and said a £345m cost overrun was almost entirely due to design changes imposed by French and British government safety inspectors.



One of the 46 locomotives being built by Brush Traction for BR and SNCF

ESC is to receive FFY700m in phased payments while Bombardier will receive up to 25m Eurotunnel shares in settlement of its claim against Transmanche Link, the main contractor for the tunnel, for costs arising from changes in the rolling stock design. So far, at least 202 wagons have been delivered and the order is expected to be completed this year.

The Bombardier order had been awarded in July 1989 by TML after an international call for tenders, but the genesis of the Eurostar trains was rather different.

Because of the technical challenges - the need for the train to run on all three networks and cope with different power and signalling systems - and the many special safety features, "we did not want everything new - we were looking for proven high-speed train technology," says Mr Malcolm Southgate, deputy managing director of European Passenger Services.

In the mid to late 1980s, the only European contender was therefore Alsthom - later to become GEC Alsthom - which has built the French TGV trains. The German ICE trains had yet to start operating, and the UK, French and Belgian governments all wanted some manufacturing in their countries. The Japanese Shinkansen trains did not appear to get a look in.

The original date for delivery of at least the first Eurostar trains was May 1993, in line with the tunnel's scheduled opening. Safety requirements, in particular the need for fire protection including a 30-minute inbuilt resistance to fire to protect passengers - generated a lot of detailed design work, but did not hold work up, says Mr Southgate.

Instead, he lists a number of reasons why the initial Eurostar "Discovery Programme" service is due to start only in July, building up to hourly services in the autumn. The first was the choice of power drives. The French TGV trains had used so-called synchronous power drives, but GEC had developed asynchronous drives which were seen as a better bet for the Eurostar trains because they are lighter.

The maximum load on each axle allowed by SNCF is 17.5 tonnes, and the Eurostar trains have to carry power equipment for three networks too. But developing the asynchronous power drives for the trains took longer than was originally foreseen, says Mr Southgate.

There were also arguments for two years on what sort of signalling system to use. A cab-based, rather than line-side signalling was necessary for safety reasons - drivers would not have enough time to react to line-side signals. Eventually a French system was chosen from a number available on the continent, and adapted to deal with the variety of trains using the tunnel.

A more sensitive reason for the delays revolves around the method of manufacture. Mr Southgate says the decision to build different parts of the trains at plants in the UK, France and Belgium caused big logistical problems, which took some time to be recognised.

It may also be relevant that the early stages of the contract came very soon after the creation of GEC Alsthom from the merger of GEC and Alsthom's power engineering and transportation equipment interests. The difficulties in merging a UK and a French company loomed large in the early days of GEC Alsthom.

In the past few months, what is hoped will be the final problem has emerged. A complex monitoring unit designed to prevent the electrical currents generated by the train itself from interfering with the signalling was activated by the frequent gaps in the third, conducting rail on the UK leg of the Eurostar train's journey. The solution, replacing about 3,000 track circuits between London and the Channel Tunnel, is now underway.

The good news, however, is that delivery of trains have kept pace with the revised deadlines, and delivery of the final capital cities service is now scheduled for early 1995. Mr Southgate believes the capital cities service will be up to full steam, at least for a winter service, by January or February next year.

Maurice Samuelson recalls earlier attempts to burrow to France

Pioneers in the chalk

The first attempt to bore a tunnel under the English Channel was made in 1880, using a machine designed by Colonel Frederick Beaumont, a retired Royal Engineers officer with a wide experience in military tunnelling.

His machine, operated by compressed air, had at its head two revolving arms fitted with 14 cutting blades. As the chalk was cut away it fell on to a conveyor belt to be loaded on to skips.

The tunnel, which was about 2.4m in diameter, started from an access shaft and reached 2km in length when the project was halted. A similar tunnel was started in France from near Sangatte. The work at Dover was stopped in 1883 when the Government obtained a High Court order to prohibit further activity.

In 1922, a trial bore 3 metres in diameter was made at Folkestone using a Whitaker machine. The steam-powered, electrically

driven machine had originally been developed by the Royal Engineers for mining under the German lines in the Great War. It was left on the site when boring ended and part of it has been recovered and restored for display at the Eurotunnel exhibition centre in Folkestone.

In 1974, work began on a much larger tunnelling system, similar in size and configuration to that used to complete the present tunnel. In the UK an access tunnel was made at Shakespeare cliff near Dover and a rail access tunnel bored to the level of the present rail tunnels.

Some 400m of service tunnel were bored before the work was abandoned in 1975. During these works the 1880 Beaumont tunnel and shaft were found to be in good condition. They have now been sealed off.

However, the 1974 tunnelling at Shakespeare Cliff has been incorporated into the Eurotunnel system.



Kent workings in the 1880s. Picture: Hulton

A BASIC GUIDE TO THE SYSTEM AND HOW IT WORKS

Inter-City and coast to coast

The Eurotunnel system consists of three parallel tunnels: two single-track tunnels and a smaller service tunnel. They run for 38km under the Channel.

The rail tunnels will be used by Eurotunnel shuttle trains carrying road vehicles, and by through-trains operated by the British, French and Belgian national railways.

The service tunnel, which is linked to the rail tunnels by cross passages every 375 metres, will be used for maintenance and also for evacuation in case of emergency.

There are two undersea crossover caverns where the rail tunnels are brought together, making it possible for trains to cross from one track to the other. The crossovers divide the length of the rail tunnels into three equal sections, any of which can be closed off in an emergency or for maintenance.

The two rail tunnels were excavated 30 metres apart and no closer than 8 metres to the walls of the service tunnel. When it opens for business later this year:

● Eurotunnel will operate a rail shuttle service for passenger and road-freight vehicles on a rail loop between terminals at Folkestone and Calais; ● the national rail companies of Britain, France and Belgium - BR, SNCF and SNCB - will operate through-train ser-

vices. High speed passenger services, using specially built Eurostar rolling stock, will link London with Paris, Brussels and beyond. Rail freight services will also serve UK regional centres.

In both Britain and France, motorways will turn off the tunnel directly on to the terminal approach roads. After passing the toll booths, frontier controls and security checks, they will be directed to an allocation area before boarding the shuttles.

Vehicles will be put on the first available shuttle. Tickets may be bought at the toll or in advance but will not involve reservations for specific shuttle departures.

Vehicles will pass through both French and British frontier controls before departure and there will be no further checks on arrival. Amenity buildings at both terminals will offer a range of services to travellers.

Most drivers and passengers will remain with their vehicles during the shuttle journey, which will take about 35 minutes. The total transit time from motorway to motorway is expected to be just over an hour.

Motorcyclists will also travel in passenger vehicle shuttles, but will park their machines in a special section of the shuttle and travel in

separate passenger compartments. Cars and other vehicles less than 1.85m high will travel in double-deck carriages. Coaches and vehicles more than 1.85m high will travel in single-deck carriages.

Eurotunnel describes the passenger vehicle shuttles as well-lit airconditioned and sound-proofed. During the journey each carriage will be divided off from the next by sliding fire shutters. Passenger access doors will allow free movement on either side

In the early years, passenger vehicle shuttles will run at about 15 minute intervals during peak periods and 20 minute intervals during the day. The minimum service, at night, will be one passenger vehicle shuttle per hour.

Freight vehicles will be separated from cars before the toll booths and follow different routes through the frontier controls and security.

The shuttle wagons for freight vehicles are not air conditioned or sound proofed. Lorry drivers will travel in a special coach, the Club car, at the front of the shuttle, where refreshments are served.

Initially freight shuttles are to run up to three times an hour; the overall motorway to motorway transit time is expected to be about 80 minutes. In addition to the rolling motorway shuttle service, half the tunnel capacity has been leased to national railway companies who will operate conventional freight and passenger through services.

Passenger through trains will link London Waterloo with Paris Gare du Nord and Brussels Midi. Intermediate stations are at Lille and Fréthun near Calais and a third is planned at Ashford in Kent. Later there will be day and night "sleepers" services running beyond the three capitals.

Maurice Samuelson

THE CHANNEL TUNNEL 6

Lille hopes for an economic rebirth, reports David Buchan

A French city blessed by geography

"We would never have built this on the same scale, if there had been no Channel tunnel," says Mr Jean-Paul Bailetto, general manager of Eurallille.

The project, which occupies nearly 70 hectares in the centre of Lille, is linked intimately with the Channel Tunnel as the city, in north eastern France, will be the first continental stop for rail passengers from England.

Costing FF8.3bn, it is the biggest construction development - apart from the rebuilding of unified Berlin. It will comprise a space-age station for the Eurostar TGV trains, a conference centre, office towers and residential blocks covering some 300,000 square metres.

The Tunnel should eventually put Lille within two hours of London, and the subsequent decision to build the northern Europe TGV system means that Lille will eventually be only half an hour from Brussels, two hours from Amsterdam, and two hours from Cologne. It is already only one hour from Paris.

A spin-off of all these TGV decisions, Eurallille was only started in 1991, and since then has been a "projet à grande vitesse". Indeed, "if the tunnel had been on time, we would have been late," admits Mr Bailetto. As it is, the year's delay has meant that Eurallille

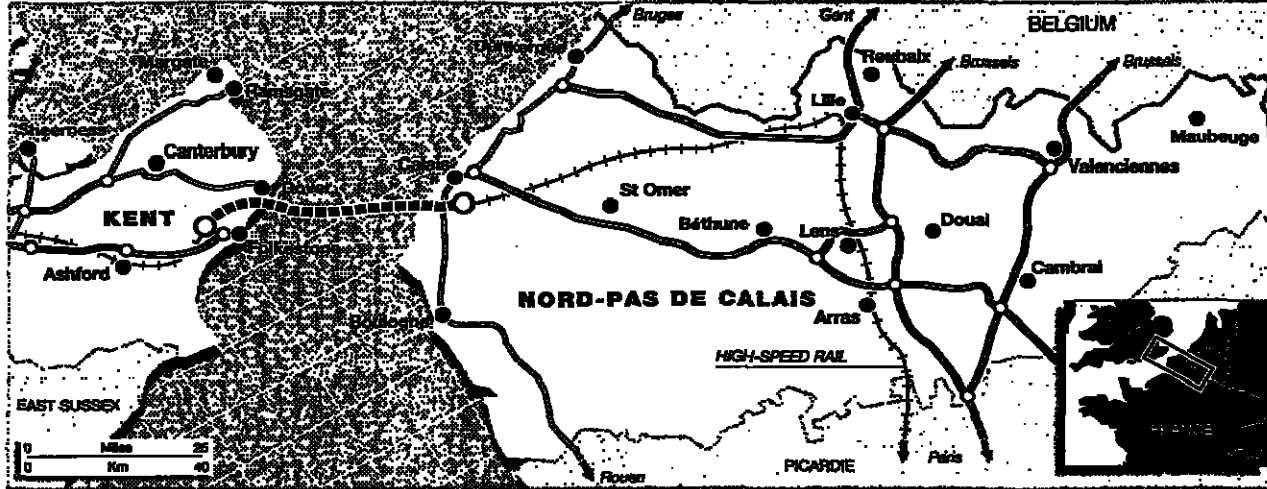
will be ready this month to receive its first Eurostar train, even though regular service will only begin later.

By chance Eurallille was able to take over 70 empty hectares in the city centre, which had belonged to the French army since the 17th century days, and to be able to draw lessons from other projects - "we have tried to learn both from the Docklands' lack of transport connections and from La Défense in Paris which is busy with office workers during the

day, but dead at night," says a Eurallille executive. Eurallille's TGV station is being linked

with the local metro, bus and tram systems. It will have two large office blocks, the Crédit Lyonnais tower after the bank which is reinforcing its presence in Lille, and the Lille-Europe tower. The new conference centre will be called the Lille-Grand Palais. There will also be a mixed leisure and residential centre to keep the area alive outside working hours.

"With the frequency of TGVs - up to 100 a day by 1996 - it should provide a very convenient base for anyone with constant travel around north-



ern Europe, such as lawyers, bankers, logistics specialists," says Mr Bailetto. He has been visited by the mayors of Ashford and Dartford in Kent keen to learn how Lille is capitalising on the TGV.

The Tunnel is helping the Lille region to shed its image as a grimy 19th century mining and textiles centre. That is how it is seen by Mr Bruno Bonduelle, head of the world's largest vegetable canning business and president of the city's AFIM development agency - "for a long time, Lille seemed a

cul-de-sac, with everything centralised on Paris. Now it is re-finding itself as a centre of trade between the north and south of Europe, the role it had in the Middle Ages," he says.

Within a 250 km radius of Lille, "you have nearly 80m of the richest people on earth," says Mr Bonduelle. His total includes 20m people in Greater London, 15m in the Paris region, 20m Belgians and Dutch and 20m Germans in the Ruhr. They, rather than the Tunnel alone, are the reason why the Nord-Pas de Calais

region has been winning French and foreign investment.

Mr Philip Ulyett, head of the Lille British Chamber of Commerce, says there is a great question mark over how rapidly the Tunnel traffic will develop. But there are still sound commercial reasons why nearly 250 UK companies have set up, or bought into, the region, he says. Mr Michel Maton of the Nord-Pas de Calais development agency makes the same point - "a transport axis is an opportunity but not a guaran-

tee of jobs and investment - a necessary but not sufficient condition." But the region's strategic position, combined with French labour costs (pay plus social charges) that are 15-20 per cent lower than in Germany, Belgium or the Netherlands, have drawn foreign firms in; even lower labour costs in Britain are offset, for some industries, by the fact that nuclear-generated electricity is cheaper in France.

Recent arrivals include the US-Japanese joint venture of

Ajinomoto and Nutrasweet at Gravelines; Häagen-Dazs ice cream (now owned by Grand Met of the UK) at Arras; Ingram Micro (a US computer maker) in Lille; Worthington Armstrong, makers of metal grids at Valenciennes; Pittsburgh Plate Glass near Douai; and Coca-Cola at Dunkerque. A new enticement is a 22 per cent tax break for investments on sites totalling 600 hectares in the Valenciennes, Maubeuge, Cambrai and Béthune areas. Because of the region's good communications it is now home to 75 per cent of France's mail order business, a trend started

by local textile companies but now spread to many sectors. The area also includes Euro-téléport, a new satellite-based telecoms operation in Roubaix. Financed partly with European Union money as a step towards liberalising the EU's telecommunications, Euro-téléport enables French companies to bypass France Télécom's existing monopoly when communicating with their subsidiaries, firstly inside France and eventually abroad.

The nearer a company is to the Tunnel, the more it can benefit. For example, TIM, belonging to the German group of Fritz Meier, exports 30-35 per cent of the tractor cabins it makes at Dunkerque to the UK. "This works alright," says Mr Régis Verhaeghe, TIM's finance director, "but using the Tunnel will mean we won't be delayed by storms or the dockers' strikes which are more frequent on the French side."

The greatest economic impact will be felt at Calais. At the French end of the Tunnel, Eurotunnel has set aside 100 hectares for its Cité de l'Europe. Some 90,000 square metres - nearly a third of the total development - will be a commercial centre, ready by next March and to be managed by Espace-Expansion which runs the Forum des Halles in Paris. With Carrefour and Tesco super-markets, shops such as Toys R US and a Gammon chain

complex, "the idea is that the Cité de l'Europe will draw in tourists who can then go on trips to the Côte d'Opale, from Le Touquet to Dunkerque," says Mr Georges Sauray, Eurotunnel's development director. As for jobs, Eurotunnel already has 1,400 employees on the French side, with another 600 jobs in various forms of subcontract work, and a further 400 jobs for French police, customs and firemen. If the Cité de l'Europe realises Mr Sauray's hopes, it will employ some 1,500 people.

The Tunnel is helping the Lille region to shed its grimy industrial image

Belgium looks for economic spin-offs

Big potential benefits

The official opening of the Channel Tunnel later this year promises to help revitalise the north-west regions of Belgium, even though the country's biggest ports will suffer a loss of traffic.

The chambers of commerce in Veurne and Courtrai, along with the West Flanders Regional Development Authority in Bruges, are gearing up to become part of what they refer to as the "new European Metropolitan Area".

This takes in the Nord-Pas de Calais in France, Western Flanders and Hainaut in Belgium, and Kent in the UK.

The potential for this region is enormous. According to Mr Anthony Vandaele, an urban planner who made a study of the influence of the Channel Tunnel on the west of Belgium and the North of France, "Overnight, the Belgian coast and the North of France will become the centre of Europe."

Mr Jo Libeer, managing director of the Courtrai chamber of commerce, is equally optimistic about the likely impact on the area of the tunnel.

"With the TGV and the channel this region, which was sort of in the corner of Europe, will now be in the middle of a new developing area," he says. This is no bad thing for Belgium. In its last economic survey of the country, the Organisation for Economic Co-operation and Development said the Belgian economy had deteriorated "progressively" since the 1980s. "And over the last 10 to 12 months it has taken a distinct turn for the worse."

Furthermore, Flanders, the area most likely to benefit from the arrival of the tunnel, has recently suffered more rapid increases in unemployment than in Wallonia and the Brussels region. The unemployment rate, which in 1990 was 9.5 per cent in Flanders has risen to 13 per cent.

The Belgian chambers in the regions most directly affected believe there are two main areas for development: firstly, increasing traffic through western Flanders as holiday-makers and freight carriers head towards the tunnel-opening in Calais; and secondly, tourism. To benefit fully, however, a crucial 7km stretch of the E40 European motorway between Veurne and the

Flanders, in particular, may gain a much-needed economic boost

French border has yet to be completed.

Once this is done it will be possible to drive from Russia to England without leaving a motorway, says Mr Philippe Claerhout, chairman of the Veurne chamber of commerce and industry. Fortunately, plans to complete the stretch have been agreed and it should be open some time next year.

On the downside, the Westhoek region is badly placed to benefit from rail transport.

"Even after the doubling of the tracks and electrification of the railway line between Ghent and De Panne, we will still be a remote corner," says Mr Claerhout.

Furthermore, Belgium's biggest ports are expecting traffic to fall, as freight and passengers are directed towards Calais. Worst affected will be Ostend and Zeebrugge, two ports hoping to hold their own by concentrating on links with ports in the north of England.

Nonetheless, the improved, if imperfect, transport communications of the West Flanders region are apparently paying off. Mr Geert Sanders, who works for the Regional Development Authority of West Flanders, says there is already evidence that the region's enhanced communications are attracting new businesses. For example, Barone, a Dutch

chocolate company, is opening a new base in the southern part of West Flanders.

There is, however, a danger that Belgium will not make the most of the commercial opportunities. "We will try to attract new industry but our region is very small and our industrial zones are full," says Mr Ludo Verstraete, of the Veurne chamber of commerce. The Belgian authorities have dragged their feet over decisions to dedicate new areas, he says.

The other main focus for development is tourism. As Mr Claerhout says: "We need to convince people from other countries that it is worth their while to stop in Westhoek at the time of their journey through the North of Europe to England."

The potential is there. West Flanders is home to some of the best-known World War One battlefields, and promoters of the region insist that its large, open green spaces will, when properly developed, attract foreign visitors. But once again, there is a danger that Belgium will miss out. It has been slower to develop the tourist potential of the Channel Tunnel than France.

Around Calais, a commercial and leisure centre, hotels and activity parks, known as "La Cité de l'Europe", are springing up while Lille is home to Eurallille, a similar development. As Mr Verstraete of the Veurne chamber of commerce says: "Tourism is very important... we really have to develop our hotels and tourist infrastructure."

But the biggest advantages for Belgium will come from close co-operation between the national and federal authorities and their French and UK counterparts. In a Europe without frontiers, this will be the most effective way of benefiting from the the Channel Tunnel.

Emma Tucker

Ferries launch an all-out war for passengers

It's that D-Day spirit

25 per cent in real terms over the last three years through increasing efficiency and economies. But a strong attack has also been made on Eurotunnel's offer of a faster trip.

P&O European Ferries has counter-attacked its check-in to whisk people through in 20 minutes. This helped the group to a fourth consecutive record year in 1993, shipping 8m passengers and more than 250,000 lorries.

Stena Sealink, which carried 6m passengers and 312,000 lorries last year, has increased the number of sailings and simplified fares. But both companies are banking more on quality than price and speed to compete with the tunnel. P&O has invested more than 400m in ships and training while Stena has put 250m into four new ferries. They are aiming to attract passengers with hot-tubs, restaurants and comfort in both terminals and on board, claiming the crossing will be a welcome break for travellers.

Real competition to Eurotunnel, however, seems likely to come from a merger of eastern Channel operators. Dover risks crippling loss of ferries unless the big operators com-

bine, says PA Cambridge Economic Consultants in a review of the Kent Impact Study, commissioned to assess the effect of the tunnel. But the Monopolies and Mergers Commission has put everything on the back-burner until it sees what happens to traffic patterns. Meanwhile, Folkestone is fighting its own battle for survival. Too small for the new super-ferries, it lost 700 jobs when services were cut and faced destruction in the cross-fire between Dover and the tunnel.

Sea Containers, the harbour owner, is fighting Eurotunnel with its own weapons - speed and price. Around £1m has gone into facilities such as shopping and fast check-in services, while the Seacat service to Boulogne will offer extra sailings and greater capacity on each vessel.

Hoverspeed, which claims 16 per cent of the short-haul market after carrying 2m passengers last year, is guaranteeing that fares will be 10 per cent below any to Calais.

Newhaven, another Sea Containers port, is in the longer-haul market via the Stena

crossing to Dieppe. It could find help from the other side of the Channel through European Union grants to help expansion.

Sally Lines has a slightly different line of attack. Its four-hour service between Ramsgate, Dunkerque and Ostend are promoted as a leisure break for weary passengers. And in a pre-emptive strike to double last year's 2m passengers, the group has stepped in to replace P&O in partnership with Ostend Lines.

Competition for potential tunnel traffic extends to the west as well. Operators at Portsmouth and Poole, for instance, are making great play about access to the holiday hotspots of north-western France, and freight markets in the Iberian peninsula.

"Going on holiday through the tunnel would be like a French visitor travelling via Middlesbrough to Cornwall," according to Ian Carruthers, managing director of Brittany Ferries. He has a rich market to protect. Since 1985 motorised tourist traffic west of Le Havre has grown by 15.5 per cent a year compared with 10.6 per cent on the short crossings. The company claims

to have tightened its grip on this area, claiming almost half the passenger and freight traffic west of Dover.

But it is not relying merely on geographical logic to ward off the tunnel influence. Some £350m has gone into new ships over the last five years and a ninth route, between Poole and St Malo, opens this month. Southampton is remarkably sanguine about the tunnel. "Overall, it could be potentially beneficial," says Patrick Bowyer, the port's marketing manager.

The owner, Associated British Ports, has invested heavily to maintain a huge lead in freight, although it will not reveal details. Some 30m tonnes flowed through the docks last year, far ahead of any other UK Channel port and a big buffer against any leakage to the tunnel.

But a residual bitterness remains over the flight of ferry companies to Portsmouth. Stena has returned with a Cherbourg service, pushing passenger figures to more than 480,000 last year compared with 145,000 in 1990.

Around 150m cross-Channel passengers a year are expected within a decade compared with less than 65m in 1990. Freight traffic is likely to grow even faster. Few will predict today how this growing pie will be split.

David Lawson

Regions: Kent waits in hope and foreboding, writes Richard Evans

Many unanswered queries

Kent is looking forward to the opening and full operation of the tunnel with a curious mix of fear and hope, foreboding and enthusiasm.

The contrasting views come from different parts of the county and are based on the varying impact the project will have on local jobs and economic prospects.

The days when the opening of the tunnel was regarded locally as an automatic boost to jobs and a panacea for many of the county's problems have long disappeared. The last few years have been too painful, particularly in north and east Kent, and too many unanswered questions were raised during the tunnel's construction.

In 1987, the first estimates of the Kent Impact Study suggested that an additional 9,600 to 12,900 jobs might be created by the tunnel and its related infrastructure, but following the impact of recession this was revised sharply down in 1991 to 3,000.

There were several contributory reasons for this dramatic decline apart from the recession, including much greater job losses than expected among the ferry operators at Dover, Folkestone and Ramsgate, and among customs officers and freight forwarding agents following the introduction of the European single market.

Even these modest benefits are likely to be concentrated in specific areas such as Ashford and not on more peripheral areas of north and east Kent like Swale (Sheppey and Sittingbourne) and Thanet (Margate and Broadstairs), where additional employment is most needed. There remains a view that the tunnel could create a corridor of affluence from the coast to London, leaving the remaining areas out in the cold.

The extended recession has also meant that few developments have been made before the opening. It was only when the initial breakthrough of the service tunnel was achieved in December, 1990, that completion became accepted as certain, but economic circumstances then lowered many of the necessary infrastructure improvements.

The three areas with a good supply of development sites are Dartford, Maidstone/Malling and Ashford. These straddle the main tunnel transport corridor and are potentially the most attractive locations for new economic activity.

Ashford, an historic market town, has been earmarked as a growth centre and a great deal of infrastructure including new roads and business parks has been put in place, but even here the situation remains

blurred and progress has been frustratingly slow.

Potential inward investors have been reluctant to commit themselves until a decision is reached by the government and British Rail on the line of the last rail link serving the tunnel. There are three possible routes at Ashford under discussion, central and southern ones that would go through the £50m international passenger station under construction in the town centre, and a northerly one that would bypass it.

Choice of the northerly route parallel to the M20 motorway would be a big economic blow according to local civic leaders as it would mean fewer trains would stop at the station. A decision is imminent and the outcome is regarded as crucial to the full development of Ashford as a growth centre with

its spin-off effects for the rest of east Kent.

Outside the affluent corridor occupied by Canterbury, with its tourism and retailing strengths, Maidstone, the county's administrative centre, and Ashford, the impact of the tunnel remains problematic, certainly in the next year or two. The 1991 impact study suggested that new employment opportunities would be generated from 1996, including in areas like east Kent, and that these would be enhanced by the construction of the international rail link by the turn of the century.

In the meantime, the most deprived parts of east and north Kent have banded together to form the east Kent initiative to push for help. The first key objective was achieved last year with the granting of assisted area status and the acknowledgment by government of the area's problems. Aid from both Whitehall and from Brussels, particularly for Thanet which has full development area status, should ensure that training and infrastructure grants are forthcoming to attract more inward investment.

Hardest hit of all by the completion of the tunnel has been Dover, by far the biggest cross-channel ferry port. The combination of the tunnel and the single European market has led to the loss of around 6,000 jobs in the district.

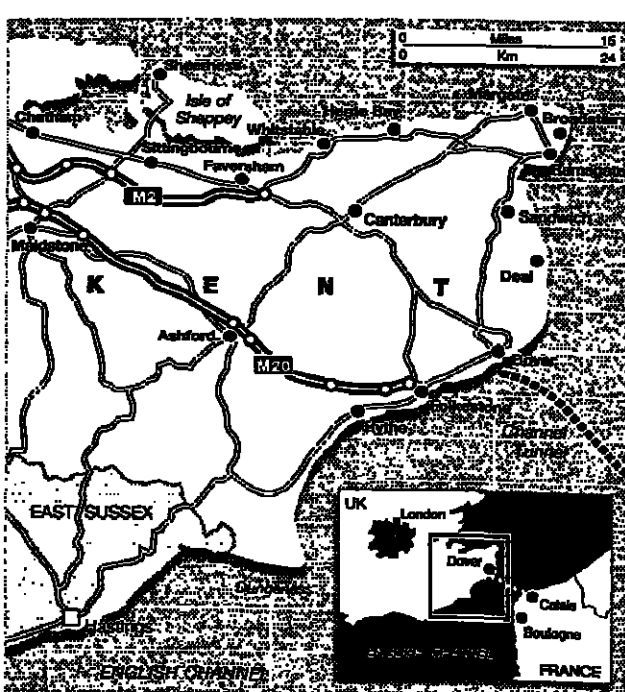
There is an assumption that when the tunnel is fully operational it might attract up to 50 per cent of the tourist car business and perhaps 25 per cent of the freight business. Nevertheless, ferry operators and the Dover harbour authorities remain bullish about long term prospects, but they admit that the ferries will have to continue to slim down in order to remain fully competitive.

SWALE
MAKING WAVES IN THE RELOCATION BUSINESS...

In the new wave of Assisted areas, Swale is the nearest to London - just 40 miles. It has one of the largest deep water ports in the UK - Sheerness, with a twice daily Ro-Ro/Liner Class Superferry service to the Netherlands and available industrial units, development sites, office and hi-tech research facilities.

Swale's business community, based in Sittingbourne, Sheerness (Isle of Sheppey) and Faversham, is well-connected to both Europe and the UK with a wealth of manufacturing experience. The Borough has all the attractive benefits of a semi-rural area and Kent's only blue flag beach.

Peter Jolley or Brenda Chester
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THE CHANNEL TUNNEL 7

The search for loans for the project is an unfinished struggle, reports Robert Peston

Japan plays biggest financial role

As Eurotunnel embarks on its fifth fund-raising exercise since the company was created in 1986, its bankers and advisers are wondering whether the group's Japanese bank lenders will once again have to be "handbagged" into supporting the refinancing.

Japanese banks have contributed more of Eurotunnel's loan finance – some 23 per cent – than those from any other country. But on a famous occasion in the summer of 1990, Eurotunnel was kept out of receivership by the intervention of the former British Prime Minister, Margaret Thatcher, when she wrote a letter – famous in Eurotunnel as the "handbag letter" – to the then Japanese premier, Mr Toshiki Kaifu, urging him to persuade Japanese banks not to block a much needed injection of new bank loans. In the past two weeks, Eurotunnel and its bank advisers have been wondering whether they might need the persuasive powers of Mrs Thatcher's successor in their attempt to raise £1.5bn of new debt and equity.

If the company succeeds, it will have raised more than £10bn in loans and equity since it was created in 1986, far more than has ever been raised by any other private sector infrastructure project. Funds started to disappear into the black hole under the channel in September 1986, when £48m of seedcorn equity was provided by five banks – Banque Nationale de Paris, Cr  dit Lyonnais, Banque Indosuez, National Westminster and Midland – and the Transmanche Link Anglo-French construction consortium.

The following month, a further £200m came from a placing of new shares with

investment institutions. But the big fund-raising exercise was in the following year, when a £5bn loan facility was raised from more than 200 international banks and £770m in equity came from a share sale involving public offers in the UK and France and placings elsewhere.

However, not long after the money was raised, the company became aware that construction costs were spiralling out of control – and that the construction contract was far too kind to TML, the contractors. Under the contract, the lion's share

of the cost increases

fell on Eurotunnel

rather than on TML.

Eurotunnel needed

to enlarge its bank-

ing facilities and

its contractors.

The new contract with TML was finally

signed on February 22, 1990, only hours

before the receivers would have needed to

be called in. But though Eurotunnel was

given permission by its banks to continue

drawing on its loan facilities, its financial

problems were only just beginning.

Its estimate of the construction costs it

had to carry – as opposed to those faced

by TML – had increased 46 per cent since

1987. Including financing charges and central overheads, it now estimated it needed £7.6bn in cash resources to finish the tunnel and operate shuttle and train services till they started to break even.

However, it only had £5bn in loans and

cash crises from any future cost over-runs.

The banks were not enthusiastic to provide more. There was a worldwide recession in the banking industry. Big international banks were short of capital and were reluctant to make substantial new

at this stage, their losses would be limited.

On the other hand, they argued that the losses could be huge if Eurotunnel was allowed to continue drawing on this original facility and was also given £20m more but subsequently ran into further difficulties.

In the face of such hostility, the group's four leading or agent banks – National Westminster and Midland of the UK, Cr  dit Lyonnais and Banque Nationale de Paris of France – agreed to try to raise the money from the syndicate.

In mid-August, per-

fluously close to a

deadline which had

been fixed so that

the crucial rights

issue could go ahead

in the autumn, 93 banks were still declin-

ing to provide their share of the new

money.

Most reluctant were the Japanese banks, some of which had backed Eurotunnel in the mistaken belief that the British and French government would bail it out if it ran into difficulties.

However, after Mrs Thatcher's letter to Mr Kaifu, the Japanese Ministry of Finance summoned the main Japanese bank lenders to a meeting. In the end, they agreed to provide their share of the new funds.

The final amount of the increase in the facility was £1.8bn, or £200m less than Eurotunnel wanted. But the company

secured a further £200m loan from the European Investment Bank.

However, since then Eurotunnel's need for capital has increased yet again. Part of the reason is that construction costs have risen even more. But the requirement for new loans and equity stems mainly from the delays in the opening schedule and the slow build-up of passenger services – which means that Eurotunnel will start to generate revenues far later than it originally hoped.

It is now trying to persuade its banks to provide around £650m from a new class of senior bank debt, prior to a £650m rights issue in late May.

The new debt would rank ahead of the existing bank loans in a winding up. It is also scheduled to be repaid in approximately 10 years, compared with the 2010 repayment date of the existing debt.

But unlike the 1990

refinancing, the com-

pany has recognised

that it will not be

able to persuade all

its banks to contrib-

ute to the new loan. In particular, it is not

expecting the Japanese banks to partici-

pate fully in the new loan. Banks' partici-

pation in the new credit line will be at

their discretion and not a fixed proportion

of their existing exposure, as was the case

in 1990.

Nonetheless, Eurotunnel needs the Japanese banks to vote in favour of the reconstruction proposal, because 90 per cent approval of bank creditors is required for it to go ahead.

Bankers say that some banks – including the Japanese – may be reluctant to back the plan, since their existing debt would be placed second in the creditors' rankings by the issue of new senior debt.

■ Profile: Graham Corbett, Eurotunnel's finance director

A financial bed of nails

Joining Eurotunnel in 1987 was supposed to represent a prestigious but not too onerous *d  veloppement* to a distinguished accountancy career for Graham Corbett, the channel tunnel group's chief financial officer.

Only a year earlier, as senior partner of Peat Marwick's continental European firm based in Paris, he had been musing to his wife that a move to Eurotunnel, then in its infancy, would represent his ideal career move – "the project [of building a tunnel link between England and France] was always something I had believed in passionately," he says.

'Graham Corbett – he has been a rock,' comments a banker

So it seemed too good to be true when Sir Alastair Morton, Eurotunnel's co-chairman, offered him the position, following up a suggestion from the Bank of England. After a morning of negotiations Mr Corbett agreed to take a four-day-per-week contract lasting 18 months.

In the event, his working week has typically been 80 hours or more – including a regular Sunday afternoon brainstorming session with Sir Alastair – as Mr Corbett has played the vital though exhausting role of protecting the interests of the group's shareholders while the com-

pany has lurched from one financial crisis to the next.

"I suspect my contract still says four days a week," he says nostalgically. "I haven't had the time to examine it for some while."

He is an avid city-hopper, going from emergency bank meeting to emergency bank meeting, propelling himself plegmatically on crutches and seemingly untroubled by leg braces which resemble Victorian instruments of torture.

When representatives of the group's 200 banks are asked who have played important roles in keeping the group afloat despite its remarkable vicissitudes, Mr Corbett is almost always cited.

"He has been a rock," comments a banker, who recalls

repeatedly that Mr Corbett has

not given an inch when con-

vinced that banks have

demanding too high a price for

supplying new funds – "no, we

have not always seen eye to

eye," the banker says. How-

ever, the job almost became

one of the shortest on record –

"I arrived a week after Black

Monday" [in October 1987,

when the stock market

crashed], Mr Corbett recalls.

"That was two weeks before

'equity three' [Eurotunnel's

code name for its third share

sale, to raise £770m needed

before tunnelling could start]."

In the light of the stock mar-

ket's volatility – and the enormous

losses made by under-

writers on the British

Petroleum share sale – there

was concern that Eurotunnel

would be unable to underwrite

its share issue and thus that

the project would be stillborn.

However, the company just

succeeded, thanks to the com-

bined marketing skills of 13

French and British securities

houses. For the first and last

time, Mr Corbett had to sit on

the sidelines and watch while

the City decided Eurotunnel's

equity. So it spent most of 1990, trying to

persuade banks to provide £2bn of addi-

tional facilities, prior to obtaining £568m

from a rights issue. Though this appeared

to be more than it needed, the company

wanted a cushion to prevent any further

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to be more than it needed, the company

1990 that it had persuaded

Transmanche Link, the con-

sortium of contractors working

on the project, to take a greater

share of the cost over-runs.

But until this new contract

with TML was signed, Euro-

tunnel's banks refused to allow

the company to draw any fur-

ther funds. Giving no explana-

tion, TML simply refused to

sign. By February 20, Mr Cor-

bett was forced to contemplate

calling in the receivers.

In due course, however –

and following the intervention

of the Governor of the Bank of

England, Robin Leigh-Pemb-

erton, now Lord Kingsdown –

TML signed and Eurotunnel

was given access to its bank

facilities again.

After a nerve-racking sum-

mer of that year – during

which it appeared that some

banks would block a much-

needed increase in its banking

facilities – Eurotunnel secured

access to a further £1.8bn of

commercial bank loans, a

£300m loan from the European

Investment Bank and £568m

from a rights issue.

Having pulled that one off,

Eurotunnel and Mr Corbett are

hopeful they can raise £1.3bn

in debt and equity in a second

refinancing taking place at the

moment.

However, being Eurotunnel's

finance director is probably the

corporate equivalent of appear-

ing on Friday the Thirteenth –

just as one horror is out-man-

oeuvred, another pops out of

the black hole.

Robert Peston

UK regions: Wales and the west

THE CHANNEL TUNNEL 8

Ayes and Noes from Victoria to Thatcher



Punch, 1859

Queen Victoria: Tell the French architect that if he can accomplish it, I will give him my blessing in my own name and in the name of all the ladies of England (1856).

Napoleon III: The tunnel is one of the great things we can do together (1856).

Lord Randolph Churchill: The reputation of England has hitherto depended on her being, as it were, *virgo intacta* (1889).

Lord Palmerston: What! You ask us to contribute to a work the object of which is to shorten a distance we find already too short (1859).



Marshall Foch: Had there been a tunnel under the Channel during the Great War it would have shortened the conflict by two years (1924).



Margaret Thatcher: When it is finished it will be so popular we shall just have to build another one (1989).

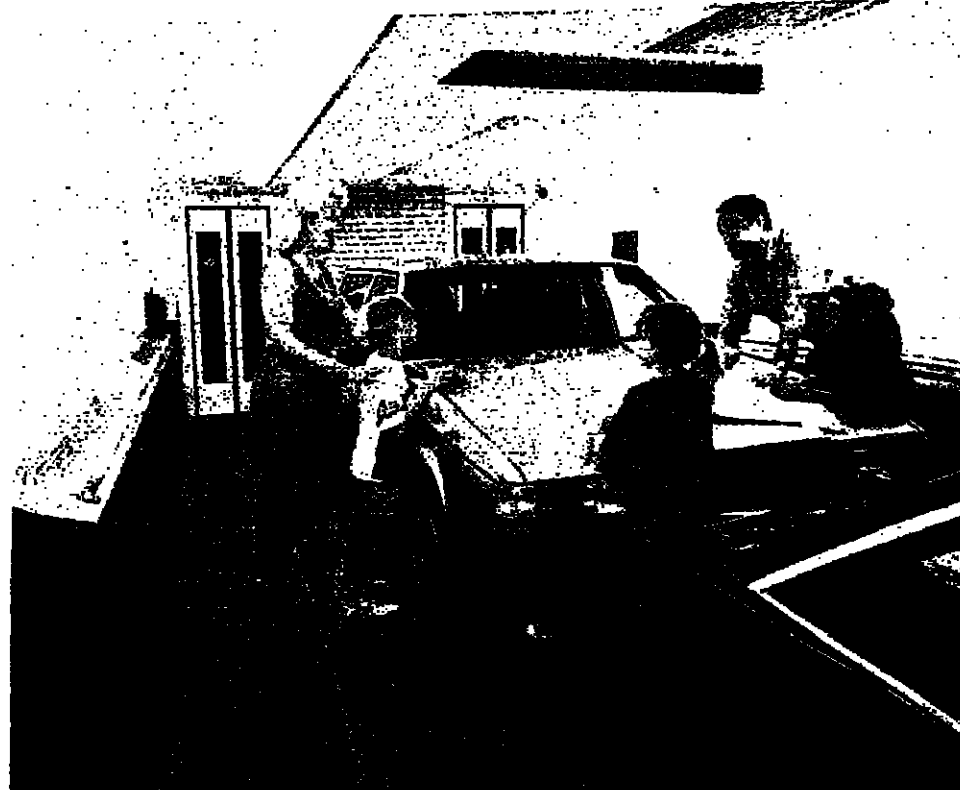


Winston Churchill: A tunnel would be no strategic danger... and if it existed and could be kept open it might prove an invaluable aid to our safety (1939).

H.G. Wells: I have never been able to imagine any harm or danger in the Channel Tunnel that would weigh for a moment against its enormous benefits (1924).

Harold Macmillan: The Government would object strongly at all on military grounds (1965).

François Mitterrand: There is no going back on this. The Channel Tunnel will become a school-children part of the geological scenery of our planet (1988).



Waiting to move: a tourist section of the Shuttle Picture: O.A. Photos

Maurice Druon, veteran French writer and politician, calls for a new intimacy in UK-French relations

Much more than a physical union

When Nervo began digging the Corinth Canal with a golden spade and Napoleon the Third, in a silken tent, inaugurated the Suez Canal, they opened new avenues between nations. Their feat went beyond the mere shortening of trade routes; they narrowed the gulf between cultures.

In presiding over the opening of the Tunnel, Queen Elizabeth II and President François Mitterrand will perform an act of parallel significance. Now it is not two seas which are being connected but two land masses, two countries.

This is a brilliant example of mankind's power over the elements. Equally remarkable is political will power that brought it about.

The idea of uniting French and British soil has a long history. The two lands were not always geographically separate. Some 10,000-12,000 years ago, there was no sea between them. People could walk across, although with frozen feet since this was the end of the last Ice Age.

Ten thousand years is an eternity in human terms, but a very short time in the earth's history. Much nearer our time, some 3,000 years ago, France was already a transit route for commodities from Britain. Cor-

nish tin was carried through Burgundy and down the Rhône Valley to be mingled with copper from Cyprus in the bronze foundries of Crete. What a feat of haulage! I am struck by it whenever I see a piece of ancient bronze.

The EU is not the first community to which we have belonged. Caesar and Claudius shackled us with a first Treaty of Rome. It left us with our straight highways, our French legal system and the small red bricks of English villages.

The battle of Hastings was really only a family affair between Norman cousins. Had it not been for Joan of Arc, Henry VI would have ruled from Paris and Britain would have been a French province.

For four and a half centuries France and England have quarreled like two country landowners. Our fence was a wall of water. We carried on our vendetta far and wide. We strove for mastery of Europe; we battled for our rival empires.

At the same time, we never

ceased wooing and seducing each other, of dreaming about marriage, or at least of having an affair.

Montesquieu lectured us about the political virtues of England. Hogarth's uncouth squires eventually became refined by contact with French manners. Good British families ordered French governesses for their children. French families employed English nurses.

The French imported golf and whisky. The English imported the *jeu de paume*, and then re-exported it to France as tennis.

The English taste for claret started with the Black Prince. It was followed by a weakness for champagne and cognac.

That cautious betrothal, the Entente Cordiale, was arranged 90 years ago, just in time for the two families to bear the burden of 1914-1918 together.

Trafalgar still stuck in the throats of the French and the Royal navies, with disastrous and tragic consequences in 1940. But there was also Free

France and the Free French, and the debt they incurred to Britain, together with all Europe's Resistance fighters, for its stubborn, unflagging and matchless heroism.

It was indeed Winston Churchill and Charles de Gaulle, those arrogant, argumentative father figures, who arranged the marriage through their

We must ensure that Britain and France are at the forefront of a Europe of Nations and that we do not become submerged in it

stormy, grudging respect for each other. Weddings between nations are not floral occasions. The contracts are sealed only after bitter discussions. And the honeymoons are spoiled by clouds and storms. But Churchill and de Gaulle contributed their lucid visions of the future.

Europe was beginning to take shape. The fixed link will be one of the jewels in Europe's crown, uniting its north and its south.

The idea of the Tunnel is two

centuries old. Dozens of separate schemes have been proposed. Borings have been sunk and abandoned. But it proved harder to drill through psychological barriers than through the hardest rock strata.

A key date was November 17, 1973, when Georges Pompidou and Edward Heath signed the first treaty on the Tunnel. The

men and workmen - all pulled together to remove the obstacles encountered on their long road beneath the waves.

They exchanged their skills and their know-how; they became accustomed to each other's behaviour; they pooled their national assets.

I regret the choice of "Le Shuttle" as the official name of this new mode of transport. I would have preferred the words "shuttle" and "navette" to sit side by side like the heraldic arms of two families united by marriage.

I am told that "shuttle" was adopted to please the English. Is that true? Our cross-Channel cousins also collect foreign words. Fowler's *Modern English Usage* shows that, like us, they sometimes overdo it. Yet good and correct use of our languages is the best way to safeguard our joint civilisation.

The fixed link will encourage an exchange of lifestyle and patterns of thinking even more than the transfer of goods. In recent decades the French have adopted *Le weekend*, in

deed as well as verbally. We used to attend Mass in our Sunday best. But the term *sédimancher* has disappeared. Nowadays, a French middle class family spends Sunday in tweeds and corduroys and the Day of Rest goes on for two or even three days.

I would like the British to acquire some of our French attitudes towards intellectual pursuits, and to stop fighting shy of showing a little culture, since generally they are much more cultured and erudite than they pretend to be. Do they give this impression because of embarrassment - or mere stinginess? After all, it is by sharing one's own knowledge that one enriches others.

For their part, the French need to emulate English people's innate feeling of superiority at simply being English and subjects of Her Majesty. What an asset in coping with life's surprises. "I did not fulfil my life's ambitions; I have a hum-drum job; but yes I am English, a privilege which nothing can take from me..."

In this spirit, let us salute the fixed link as one of the greatest accomplishments of our age, as a bulwark and beacon of hope.

Translated by Maurice Simonson

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Channel Tunnel



Europeans pour cash into
concrete and tarmac
Page II

MADEIRA

Friday May 6 1994

Debate on tourist strategy -
time to go downmarket?
Page III

Ripples in a haven of tranquillity

The island has had great success in obtaining funds from the European Union. But there are clouds on the horizon. Dominick Coyle and Peter Wise report

To its devotees, who return again and again as long-stay tourists, Madeira is heaven, or at very least an acceptable proximity. To less frequent visitors, and to first-time arrivals, the island is still a haven of tranquillity in an extremely agreeable year-round temperate climate.

The regulars, many of whom have spent their winters there for 20 years and more, tend to be what retail bankers love to call clients of high net worth, and they are prepared to pay for luxury. Others will settle for less luxurious four and three star hotel accommodation, itself none too cheap.

In a word, Madeira can be expensive for all visitors, but for companies setting up in free port operations there, it is one of the cheapest labour markets in Europe.

Madeira, an autonomous region of Portugal, nestles in the Atlantic off the African coast and almost 1,000km from Lisbon. An area of some 700 sq km - not a great deal larger than the Isle of Man - Madeira sits on top of an extinct volcano rising some four miles from the sea. It is the dominant part of the Madeiran archipelago, which includes the much smaller island of Porto Santo to the north and the uninhabited islands of Desertas and Selvagens.

The discovery of Madeira in 1419 by the Portuguese explorer, Joao Gonçalves Zarco, was almost a chance event since, like his successor, Christopher Columbus, he thought he was on a different navigational voyage. Claiming it for Prince Henry the Navigator, he named his discovery, *A ilha de madeira* (the wooded isle), and the name took root.

KEY FACTS

Area 741 sq km
Madeira was made an autonomous region of Portugal in 1978 with independent legislative and executive powers except in the areas of defence, diplomacy, currency and taxation.
Capital Funchal
Location Atlantic Ocean, 978km southwest of Lisbon, 600km west of Morocco. One and half hours' flying time from Lisbon
Highest mountain Pico Ruivo (1,860m)
Population 253,045, of whom about 46% work. Services employs 51.9% of the working population, industry 33.8% and agriculture 14.3%
Unemployment 4.4% (March 1994)
Politics the centre-right Social Democrats have held an absolute majority in the regional parliament since it was created in 1978
President of the regional government Alberto Joao Jardim, re-elected to a fourth consecutive four-year term in 1992
Language Portuguese
Religion predominantly Roman Catholic
Climate warm summers, mild winters, moderate rainfall
Temperature average minimum 16 degrees, average maximum 22 degrees
Currency Portuguese escudo
Economy tourism, civil construction, embroidery, tapestry, wickerwork, wine, flowers, bananas and tropical fruits, fishing
GDP growth in 1993 +8% (forecast)
Inflation 1993 (consumer price index) 6.5%
1994 regional budget income Es72.9bn

(An island legend that Madeira was discovered almost 75 years earlier by an Englishman, one Robert Machim, said to have been shipwrecked there with his mistress, contains more romance but, apparently, less historical accuracy. It is still touted by souvenir sellers in the capital, Funchal.)

Madeira's international airport near Santa Cruz is well to the north-east of Funchal, and the landing there is no great joy for passengers and pilots alike. The runway rests deep between two mountain ridges which can generate alarming cross-currents. Fortunately, the island's charms and its spectacular scenery quickly

reduce the pulse rate of new arrivals, and a glass or two of Madeira wine can soon complete the process.

But the airport is a problem, and according to Mr Alberto Joao Jardim, the colourful president of the regional government since 1978, its planned expansion by some 500 metres on stilts out into the Atlantic, coupled with a two degree realignment of the existing runway "is the key to the development of the Madeiran economy". It will cost an estimated Es90bn (£233m), some two-thirds of the cost being met by the European Union. But it will allow widebody aircraft to land and considerably

reduce transportation costs - for both passengers and freight.

In fact, Brussels has been a veritable breadbasket for Madeira in recent years, ever since Portugal joined what was then the European Economic Community in 1986. As one of Europe's most deprived regions, and allowing for the additional economic disadvantages of its island status, Madeira has been raking in EU money under its regional, structural, training and any other fund for which Brussels can be tapped. Even his detractors on the island acknowledge that when it comes to extracting money from the EU, Mr

Jardim is a past master.

The signs of this largesse are everywhere. Virtually all major infrastructural developments carry the 12 gold stars against the European blue background, proclaiming who is really paying the piper. The internal debate, and it is considerable, is not about getting Brussels money, but on how it should be spent. The Jardim regime says it should go on more and better roads, new hospitals and education. Its critics would like more of the EU support to go towards modernising industry and in developing tourism.

Mr Antonio J. Trindade, a hotelier and head of the tour-

ism section of Madeira's chamber of commerce, believes there should be a better relationship between the regional government and the industrial and services sectors, and a more even distribution of the cash cow from Brussels. Other critics think that new highways are important for opening up much of the island outside Funchal to tourist development, but they ask rhetorically whether getting from A to B five minutes faster on a small island amounts to a great economic achievement or the best use of resources.

Mr Jardim will have none of this, claiming that his critics are the few remaining big landowners and some long-established British families, whom he seems to view as a somewhat lower order than the natives, or the small farmers who are seeking subsidies "but who just want to spend it in the tavern". All are agreed on one thing: as long as Brussels will pay, let us get as much as possible.

Madeira has definitely benefited from the subventions

from Brussels. In the mid-1970s, the island's per capita income was less than one quarter of the European average; today it is close to half, and not all that much behind that of Portugal itself. The Lisbon government has been generous to the island whose population of around 254,000 is less than 3 per cent of Portugal's. Nevertheless, Madeira is getting some 6 per cent of all EU support going to Lisbon. The fact that the political structure of Mr Jardim's regional government mirrors that of the ruling centre-right Social Democratic Party on the mainland may also have helped.

Impressive infrastructural developments apart, EU funds have assisted in the establishment of the main activities now being co-ordinated by the Madeira Development Company. These include an industrial free trade zone, an offshore financial centre, an international services facility and a new shipping register.

An extensive range of attractive tax and support concessions through to the year 2011,

provided under Lisbon legislation and approved by the European Commission, is the magnet to attract new industry, banking and related financial services. In essence, the industrial free trade zone is the regional government's main instrument for creating jobs, not just for the existing unemployed (under 5 per cent of the island's workforce), but for the thousands more who are underemployed in the declining agricultural sector.

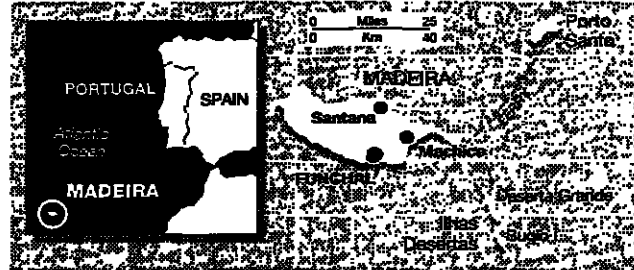
It is early days yet, and the development company's promotional activities have been held back by the slow progress of the enabling legislation through the Lisbon parliament, but the initial signs are encouraging. Add in the sizeable revenues from the tourism sector, despite two poor years since the 1991 peak, and the island's economic performance is impressive. Provisional figures estimate last year's growth at around 6 per cent, compared with a sharp recession in Portugal itself.

On Madeira how the regional government allocates the funds from both Lisbon and Brussels is inevitably the main driving force in the economy, together of course with the dynamics of the tourist industry. The immediate outlook is positive, but there are some in Funchal who see a possible dark cloud on the horizon, although the majority view is that their forecast is too pessimistic. It touches on South Africa after last month's general elections.

Folk of Madeira origin, either born there or first-generation settlers in South Africa, are estimated to outnumber the entire population of the island by two to one. What if they were all to come back, or even some of them, many of whom would almost certainly be of the older generation? Such an influx would produce extraordinary economic and social strains, but the signs are that preliminary planning by South African Madeirans is focused more on Canada and Australia than on their original homeland. Madeira is keeping its fingers crossed, although it is known that the Lisbon government has made contingency plans, just in case.



The marina and port, viewed from the bay at Funchal, the island's capital



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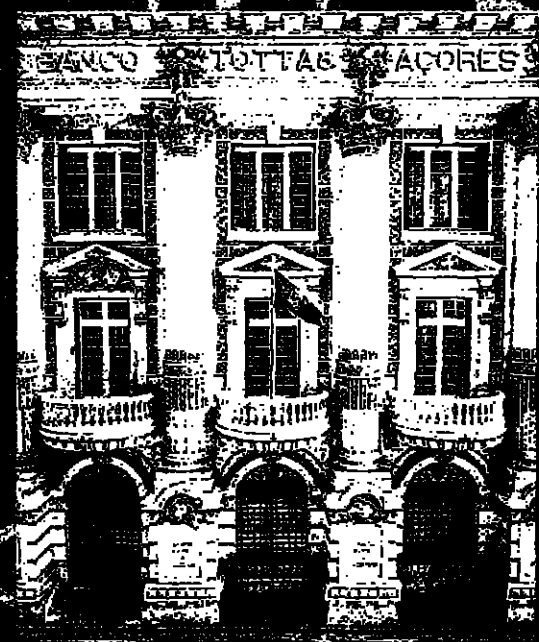


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MADEIRA II

A backward region of a backward country: Peter Wise on the economy

EU funds pay for roads

Viewed from some angles, Madeira appears to offer little hope of prosperity for its quarter of a million people. The leading manufacturing industry is embroidery. The island imports 85 per cent of all it consumes. Export markets can be half an ocean away. A sixth of the workforce farms terraced plots not much bigger than a couple of tablecloths.

But economic weaknesses are negotiating strengths when it comes to securing aid from the European Union. EU funds currently account for a third of the region's income and are the driving force behind an economy where output rose by an estimated 6 per cent in 1993, while mainland Portugal suffered recession. Construction companies are benefiting from an extensive infrastructure programme.

Tourism is another promising sector, representing 20 per cent of gross regional product and employing 9 per cent of a working population of 118,000. Operators differ over which niche Madeira should aim at within the higher-income bracket of the tourism market, but they agree that prospects are relatively bright both for earnings and jobs.

A third focus of development is the International Business Centre (IBC), whose tax exemptions represent another perk from the European Commission. However, its immediate impact on the economy is likely to be limited considering that the free-trade industrial zone will employ only 3,000 people - 2.5 per cent of the workforce - when all the projects currently in the pipeline are operating. Nor does much of the money that moves through offshore financial and services companies stay in Madeira.

As a backward region of a backward country, Madeira

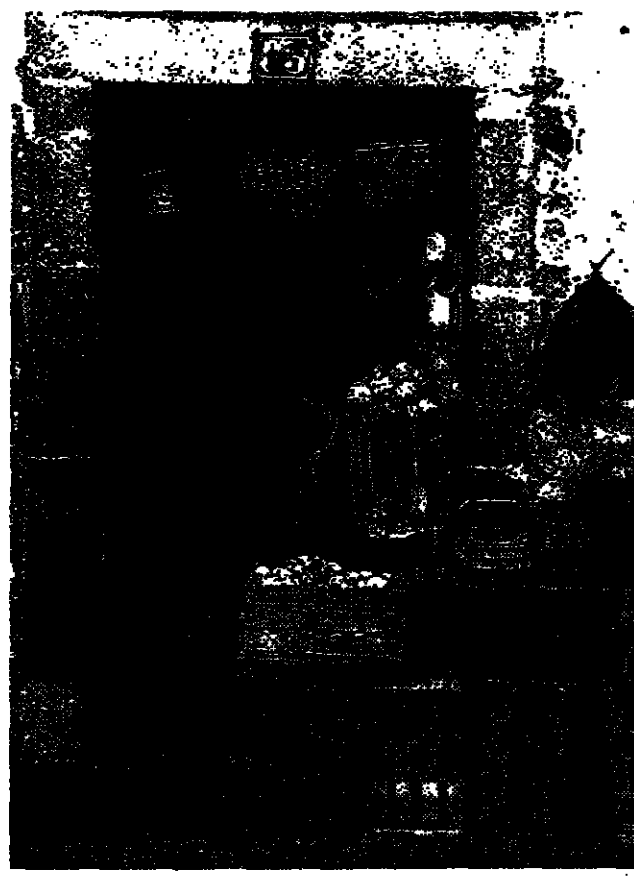
has qualified for a substantial inflow of European funds since Portugal joined what is now the European Union in 1986. The Lisbon government raises no objection to allocating Madeira between 5 and 7 per cent of its EU aid, although the island accounts for only 2.5 per cent of the population.

"We could never catch up with the rest of the country if we received any less," says Mr Alberto Joao Jardim, president of the regional government since 1978. "The central government has given Madeira the fullest support in our negotiations with Brussels and never

GDP per capita was 24% of Europe's average in 1976; now it is near 45%

complained that we were getting more than our fair share." He acknowledges that being a stronghold of the centre-right Social Democrats, also the governing party in Lisbon, has helped the island win favour with the central administration.

Madiera is due to receive about Es200bn in EU funds from 1994 to 1999, double the amount transferred during the previous five years. Lisbon also supplies about 10 per cent of regional budget spending out of the central budget. This is to compensate for the duty the island loses on goods imported into mainland Portugal but consumed in Madeira and for the corporate tax paid by companies operating in the island whose consolidated profits are taxed in Lisbon. In effect, Lis-



Machico, a fishing village: will European funds help it catch up? *John Ayres*

bon covers the cost of servicing Madeira's Es100bn public debt. Statistics testify to the development that these funds and a central government guarantee enabling Madeira to run up debt have brought to the island. Madeira's GDP per capita was 24 per cent of the European average in 1976; it is now

close to 45 per cent. The figure for Portugal as a whole is 55 per cent. Emigration, once the only hope of affluence for the island's workers, has fallen to a trickle. Over the same period the number of doctors has increased threefold, the infant mortality rate has been cut from 75 to 12 per 1,000 births

and six times as many children receive secondary school education.

Most money is being spent on infrastructure. New roads sweep across the island, cutting through the precipitous volcanic terrain by tunnel and viaduct. "Where do the people go on all these roads?" Mr Anibal Cavaco Silva, Portugal's prime minister, is reputed to have asked during a recent visit to the island, which is only 61km long and 25km wide. Almost 200km of new roads have been built over the past 18 years, cement consumption has increased fivefold and con-

"Farmers must cultivate profitable crops, not cabbages and potatoes"

struction companies employ 13 per cent of the workforce. But critics question the wisdom of pouring so much cash into concrete and tarmac.

"The regional government has made itself popular by building impressive infrastructures but what is going to happen when the money from Europe stops flowing?" asks Mr Jose Carlos Mota Torres, leader of the opposition Socialists, who have 12 seats in the 57-member regional parliament compared with the Social Democrats' 39 seats.

The Socialists argue, as do some businessmen, that a bigger share of the EU money should be allocated to the private sector in the form of investment incentives. "This would help create an economy that would be able to stand on

its own in the future without subsidies from Brussels," says one Madeira economist.

"The people who make these kinds of criticisms were born with a silver spoon in their mouths," argues Mr Jardim in his usual forthright style. "When they say incentives they mean subsidies. They don't know how to make a profit in a market economy. But I'm not going to help them." Building roads, schools and hospitals improves the quality of life for everyone, he says. The voters who have elected him with an absolute majority in four successive elections so far appear to agree.

Mr Jardim adopts the same tough-minded approach towards returning agriculture, which provides little more than a subsistence living for 15 per cent of the workforce. "There is no future for agriculture in Madeira unless people cultivate profitable crops such as tropical fruit and flowers," he says. "The government provides fruit tree seedlings and flowers for farmers who want to adapt. But I'll never give them money," says Mr Jardim, "they'd just spend it in the tavern."

One planned infrastructure investment is causing little controversy. The regional government will spend about Es60bn, of which the EU will provide two-thirds, to extend Madeira's airport runway by 500 metres. This will enable tourism operators to bring in larger aircraft and lower the cost of transporting cargo, which currently has to compete with passengers for expensive and limited space. Not least, the extension, involving a realignment of the runway, should make landing on the island a less alarming experience.

Peter Wise and Dominick Coyle profile the regional president

Jardim is used to getting his own way

An 18th century Portuguese naval engineer's map of Measrich, a town now symbolic of European integration, hangs in the office of Mr Alberto Joao Jardim, president of the regional government of Madeira, reflecting what he describes as his "European soul".

Two other plaques in the pink-walled villa of his official residence affirm character traits that critics say are more prevalent in the 61-year-old politician. One states simply: "J'ai toujours raison." The other, in English, asks: "Why argue? Just let me have my own way."

Mr Jardim has been getting his own way for a long time. He has headed the regional government since Madeira was made autonomous in 1976 and has won an overwhelming 61 per cent majority on the island for Portugal's centre-right Social Democratic Party (PSD) in 23 consecutive elections - local, regional, national and European.

restored democracy in Portugal first as a journalist, then as the regional leader of the newly-formed PSD.

Mr Jardim first approved legislation providing low-interest credit for peasants to buy the land they worked. "A worker wasn't allowed past the kitchen of his boss and all hell was let loose if a poor boy wanted to marry a rich girl," he says. "All that has changed. Madeira is now predominantly lower middle class."

He is clearly not sorry that some English families may not be as prominent in Madeira's economy as they were before the revolution and shows considerably more enthusiasm for rich Madeirans from emigrant communities who have returned to the island to pursue their business careers.

Such criticisms would appear to sit ill with an English family such as the Blandys, whose interests in areas vital to Madeira's economy such as tourism and wine are being developed in a modern entrepreneurial spirit that must benefit the island. But Mr Jardim is firm - some would say stubborn - in his convictions.

His main opposition, he says, is not the Socialist party but landowners and once-powerful economic groups resentful of the position and influence they have lost. He complains of systematic harrasing from the Diario de Noticias newspaper in Madeira, which is owned by the Blandy family. And he is not averse to bawling journalists from the mainland at press conferences as "a legitimate protest against the lies they tell about me".

Among criticisms that those on the left level against Mr Jardim is that he stirs up popular prejudices of anti-communism and latent separatism. The first he readily admits to: "I am equally anti-communist and anti-fascist but I'm not anti-alcohol nor anti-women." The second he dismisses: "I'm as Portuguese as anyone from the mainland" - and considerably more European, he claims, than many "provincial" and "old-fashioned imperialist" politicians in Lisbon.

Before the last regional elections in 1992, the Socialists raised charges of Mr Jardim's high-handed treatment of the opposition to the level of a national debate on an alleged "democratic deficit" in Madeira. But the PSD was re-elected with two-thirds of the vote. It was a "joke" that backfired on the Socialists, says Mr Jardim, because the people of Madeira "don't like to see their problems debated on the mainland".

One question on which Mr Jardim would have welcomed more debate from the mainland was the possibility of his standing against Mr Mario Soares when the Socialist leader was first elected as president of Portugal in 1986. Is Mr Jardim likely to be a candidate in the next presidential election in 1997?

"Portugal has invested a lot in me and I am ready to serve in whatever capacity my country chooses," he says. "But being a decorative figure like the Queen of England doesn't attract me. I like executive power."

Dominick Coyle on progress at the industrial free trade zone

Asia and Brazil targeted

According to Mr Alberto Joao Jardim, president of the regional government, Madeira has a current unemployment rate of around 4 per cent. But definitions are important. It may well be that only four in every 100 of the island's estimated total workforce of more than 118,000 have no job, but that does not cover people in training for jobs which may not be there, and certainly does not include the considerable underemployment in the declining agricultural sector.

Getting on for one-fifth of Madeira's labour force is engaged in agriculture, most of them working minuscule plots for mere subsistence. The traditional sugar industry is finished and banana growers are meeting tough competition from lower-priced producers elsewhere.

Madiera's traditional cottage industries of embroidery, tapestry and wickerwork are just that, painstakingly-made and beautiful products of family cottages or very small units with a predominant female workforce.

These underemployed, highly skilled workers, and many more equally skilled but with no work, need jobs as the island's economy is transformed away from agriculture

and towards industry and the services sector, most noticeably, of course, tourism.

An important role in this transformation, according to the regional government, will be played by the Madeira Development Company and, in particular, its Industrial Free Trade Zone. The magnet to

Container costs are high, but the new port will service the zone directly

attract companies to Madeira is a generous package of fiscal concessions, start-up grants and worker training subsidies all wrapped round the island's full membership of the European Union through the motherland, Portugal.

Mr Jose Antonio Camara, who represents the regional government's 25 per cent stake in the Madeira development company, points to the island's full membership in, and consequent access to, the European charges are high: the sum of Mr Camara and his team is to trim costs at the new port now being completed to service the freeport zone directly.

The industrial complex itself is located on a 130-hectare site at Canical on the eastern end of Madeira, some 8km from the international airport. It is securely fenced off and is being developed in stages.

Each site or unit has direct access to all basic infrastructure, including energy supply, telecommunications, water and sewerage, and the supporting port facilities include a terminal for discharging liquids and cereals by suction, together with berthing facilities for both general cargo and containers.

The initial development phase of the zone is now complete with 29 operating entities, while a further 12 companies are awaiting completion of

major attractions to non-EU companies seeking to manufacture for the European market, but he is by no means a one-ticket salesman.

The zone's other attractions, he emphasises, include the benefit of access to all double taxation treaties ratified by Portugal, total exemption from any form of taxation until the year 2011, potential benefits from various EU structural funds to help with financing projects and with the training of workers, a stable political system and an excellent year-round climate and, not unimportantly, low operational costs.

There are, he agrees, some drawbacks, not least transportation costs, since Madeira is an island out in the Atlantic almost 1,000km from the Portuguese coast. There are twice-weekly cargo sailings between Lisbon and Madeira, and less frequent services between the island and London, Rotterdam, Bremen, Antwerp, and also to New York, but container charges are high: the sum of Mr Camara and his team is to trim costs at the new port now being completed to service the freeport zone directly.

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The initial development phase of the zone is now complete with 29 operating entities, while a further 12 companies are awaiting completion of

their registration and licence procedures. Manufacturing and warehousing activities under way include clothing, computers, watch-making, paper products, tobacco, household appliances, optics, canning, jewellery and petroleum products.

One of the first companies to take up residence in the zone is a garments manufacturer. Sheenotto Industries is a Macau-Hong Kong joint venture, most of whose output is pre-sold to the US. Its resident director, Mr Rui Alberto Santos, himself a Madeiran, speaks glowingly of the skills and adaptability of local workers, many of whom came from the island's craft industries.

Sheenotto recruits are put through an intensive eight-month training programme,

the cost of which is grant-aided up to 50 per cent. On the completion of their training, workers do not have to pay any social security contributions until they are 22 years of age, although they are covered for benefits.

Local labour laws, which apply equally in the industrial zone, permit short-term labour contracts of six months' duration, renewable at the employer's option up to a limit of three years - after which workers are either made permanent, or are dismissed.

Mr Santos, whose company employs over 150 people, is impressed with the zone's facilities and with the enterprise and support of the development company, but like Mr Camara, he points to heavy shipping costs and says these

will have to be reduced if the promotion of the zone is not to be undermined. His company currently exports through Funchal.

Promotion for the industrial zone is being narrowly targeted, not least because of a limited budget, and the focus is very much on south-east Asia and on countries with which Portugal has traditional ties, including Brazil and South Africa, where the development company maintains offices or representative agents. Brazilian companies form a good slice of the initial tenants of the zone.

All tax concessions applicable within the legal framework of the International Business Centre, the umbrella organisation covering the industrial zone, the offshore financial centre and the international services division, also apply to the new International Shipping Register (MAR). Specifically, the crews of MAR-registered vessels get their wages tax-exempt and are not subject to Portuguese social security deductions.

What is less specific are the prerequisites on crew nationality. The enabling legislation appears to be clear-cut: "The captain and 50 per cent of the crew of each registered ship should be citizens of any of the member-states of the European Union," itself a major concession by the labour unions which initially insisted on half of all crews being Portuguese nationals.

This dispute has held up the operational launch of MAR, but an uneasy compromise has been reached with the unions and Brussels. This gives MAR's Technical Commission flexibility in agreeing crew composition, nationality with vessel owners "under special circumstances".

However, owners of registered yachts have no restrictions on crews, but they do benefit from all the fiscal and other concessions on offer, including the absence of any exchange controls. Overall, not a bad deal, and a great deal better than Portugal's traditional shipping register.

Dominick Coyle

Relocating costs

Labour costs in Madeira vary according to industry, but they are generally low by European Union standards.

Annual wages for unskilled labour are in the region of Es500,000 (£2,000), and roughly double for skilled workers. Most workers are covered by employer-union labour agreements, but this is not a legal requirement.

Social costs are high. The employer's contribution is 24.5 per cent of basic salary, while the employee pays 11 per cent, but there are concessions during training periods and for younger workers.

Overtime is usually payable at a rate of 150 per cent for the first hour, and 175 per cent thereafter. Overtime worked during rest days is double the basic salary.

There are some few variations on vacation periods, but employees generally are enti-

led to one month's holiday a year, plus some 14 additional days covering statutory holidays.

Residence permits for non-Portuguese employees are easily obtained, provided they come from other European Union countries, or are nationals of countries with which Portugal has close relations. These include the US, Brazil and Sweden.

Office rents: rates in Funchal range from Es15,000 to Es30,000 a square metre per annum, depending on location.

House rents: these again depend on location, monthly charges varying between Es100,000 and Es150,000. A large apartment in a prime site could run to Es200,000.

Buying a house: a four-bedroom apartment in a good location in Funchal could cost Es30m or more.

Dominick Coyle

Profile: DIONISIO PESTANA

Tentacles of a top hotelier

Dionisio Pestana is the acceptable face of capitalism in Madeira (though he does have a few detractors). He admits to working a 26-hour day, has no hobbies (since he gave up squash and tennis a few years ago), does not admit to being one of the richest men on the island - which he certainly is - and shows no signs of easing up in his myriad business activities. But then, why should he: he is a mere 42 years of age?

First, a few business facts. The privately-owned Group Pestana, in effect controlled by Dionisio, runs the largest hotel chain in Madeira, but not only that: it is the biggest hotel operator in mainland Portugal, with extensive properties in the Algarve, Estoril and Lisbon. In addition, the group is in effective control (the

regional government has 25 per cent of the shareholding, but no blocking "golden share") of the Madeira Development Company, which runs the island's expanding free trade industrial zone, the offshore financial centre, the industrial services division and the international shipping register.

Mr Pestana also has an interest in a charter airline, owns travel agencies in a number of European centres, including Britain and Germany, and has even ventured into electricity generation by buying in some windmills and associated expertise from Denmark. "because our group's electricity bills were getting too high". Overall, an extensive industrial and commercial portfolio, and Mr Pestana is not even a native son.

The foundations of the Pes-

tana empire go back a bit, to his father, Manuel, who like thousands of his fellow-islanders left Madeira in the 1950s and 1960s in search of work and fortune. In those days, Madeira was slap-bang in the sealane from Britain to South Africa via the Cape Verde islands. Manuel took one of these passing ships to the Cape and soon built up a highly successful construction company in South Africa and Mozambique.

Dionisio is Manuel Pestana's only child. After university, where he took a business degree, the young Pestana went to Europe on a working vacation. Visiting his father's island homeland, he was encouraged by Manuel's dream of building a luxury hotel in



Dionisio Pestana: bought windmills to save electricity

Continued on next page



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The island's offshore facilities cater mainly for serious investors, writes Peter Wise

The late starter has an advantage

Words like "haven" and "paradise" trip readily off the tongues of Madeira's tourism promoters but are strictly taboo to the advertisers of the island's offshore facilities. Madeira offers an international business centre with a special fiscal regime, they make clear, not any kind of refuge or sanctuary from the taxman.

Madiera's concern not to be dubbed a tax haven or a fiscal paradise is part of a wider effort to promote the offshore centre as being in the top tier of what officials prefer to call the world's fiscally privileged locations, attracting the serious, financially-aware investor rather than the lightweight, fly-by-night operator.

Born after a gestation period of almost a decade, the island's offshore financial and services centre offers some premium qualifications. Membership of the European Union provides both regulatory guarantees and full integration with a pre-eminent market, including free circulation of goods and services and the right of establishment.

Madiera shares this status with only Ireland and Luxembourg, given that offshore centres in the Isle of Man, Gibraltar and the Channel Islands hang more tenuously to the EU by various differently-defined threads.

Secondly, Madiera's offshore centre forms an integral part of Portugal. Companies setting up on the island are

governed by the same corporate law and central bank regulations as their counterparts on the mainland and consequently enjoy the same guarantees of legal credibility and economic soundness.

"Companies in Madeira have to operate within an EU-wide regulatory and reporting framework," says Mr William Cunningham, a Lisbon-based partner with consultants Arthur Andersen. "Companies that don't like disclosing their accounts will not be attracted there. The island is developing as a base for legitimate international tax planning that can stand up to scrutiny."

The scope for such planning is considerable. Offshore service companies and financial institutions in Madeira enjoy total exemption from taxes on profits and capital gains until the end of 2011. Investors also benefit from total exchange freedom, including free repatriation of capital and profits, free transfers of funds used in commercial operations and complete freedom to import capital.

This looks attractive compared with a leading EU competitor for offshore banking operations such as Ireland. The corporate tax rate in Dublin's offshore centre is 10 per cent, a partial tax holiday that runs out in 2005. Furthermore, new companies will not be allowed to set up there beyond the end of 1994. "Being a late starter is an advantage for Madeira in this

efficiency, accessibility, target markets including the applicability of bilateral tax treaties, language and quality of life.

Madiera scores high in terms of operating costs. Salaries, rents and real estate prices compare favourably with other European locations. The island will become within easier reach after the airport runway is extended and is an

services of an overseas branch without the heavy costs of establishing a network abroad," says Mr Pedro Libano Monteiro, of Banco Comercial Portugues, the first bank to set up an offshore branch in Madeira in 1988. Banks made good use of the island by lending to onshore Portuguese companies at competitive rates, made possible because they did not have to pay withholding tax on the interest. But the Lisbon authorities wrapped them across the knuckles in March 1993 by abolishing the exemption.

The central bank clarified the issue in January 1994 by creating two types of offshore banking branches. Exterior offshore branches (SFEs) can deal only with non-residents in Portugal and enjoy full tax exemption. International offshore branches (SIFs) can deal with residents in Portugal. They have to pay the same tax as an onshore branch except that they can accept deposits from individuals non-resident in Portugal without having to withhold a 20 per cent tax on the interest.

Mr David Caldeira, head of the Madeira operations of Caixa Geral de Depósitos, the only bank so far to open an SFI, says this can mean savings of 50 to 100 basis points on the cost of financing a foreign exchange loan to an onshore Portuguese company. Much of the private funding for offshore bank branches comes from Brazilians who like to keep part of their savings abroad and are drawn to Madeira by the affinities of language and culture.

Brazil is also one of the 12 countries that have double taxation agreements with Portugal. Companies can use these to reduce withholding taxes on royalties, interest and dividends. But Portugal is one of the few countries whose roll of bilateral taxation agreements is, in fact, decreasing. Denmark unilaterally severed its agreement in January 1994 because it considered Danish investors were using the Madeira facilities to abuse Danish tax law.

Other impediments that analysts say Madeira needs to iron out include minimum capital requirements that are much higher than those of its main competitors; an obligation to draw up accounts in escudos showing exchange losses or gains that can be purely fictitious for service companies whose business is solely in dollars or another foreign currency; and the impossibility of setting up variable capital companies by fund managers with varying numbers of subscribers.

Offshore service companies and financial institutions enjoy total exemption from taxes on profits and capital gains until the end of 2011. Investors also benefit from total exchange freedom

respect," says Mr Cunningham, "if only because many companies will be shut out of Dublin."

But analysts consider it unlikely that Brussels will allow one EU offshore zone to benefit from significantly greater tax advantages than another for any considerable period. This means that the main competitive advantages of such centres will be weighed in terms of costs,

inviting place to live. The question of target markets largely explains why all but one of the 27 banks and two insurance companies that have set up offshore operations in Madeira are Portuguese or branches of Portuguese subsidiaries of foreign institutions. The only exception is ABN-Amro Bank, which is nevertheless targeting onshore Portuguese clients.

"From Madeira we can provide all the

Should the island stay exclusive or aim for the charter market? Dominick Coyle reports

The debate on tourist strategy

Two or three thoughts may strike the first-time visitor to Madeira on the 30km taxi ride to the island capital, Funchal, from the airport near Santa Cruz. The highway is impressively modern - thanks to generous support funds from the European Union - as it weaves through mountains and valleys, a countryside not unlike parts of southern Italy, even down to the terraced mini-vineyards.

And then there are the buildings, lots of new ones and more in the making, small hotels, large homes and the timeshare developments. An initial reflection: is planning getting out of control in Madeira, and is the traditional tranquillity of an island oasis favoured by the rich and famous (especially during the winter months) about to be ruined? On the flight back from Funchal to Lisbon on the Portuguese mainland, the thought persists, despite efforts by local officials to insist that planning is now well and truly under control.

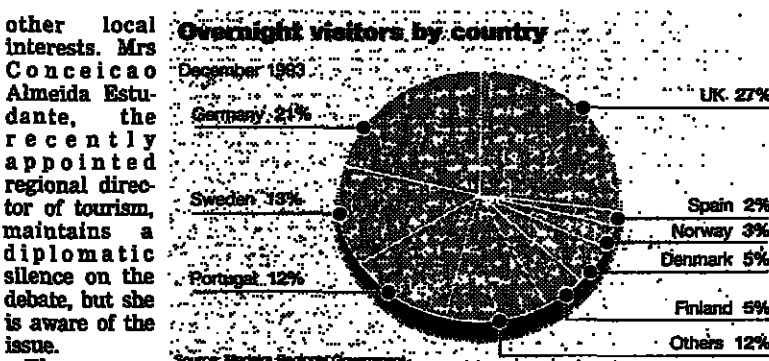
The emphasis on "now" is important, for there is something like a consensus on the island, and particularly with most of the main players in the tourist industry, that things did get out of hand more than a little in recent years. There is just a suspicion that the long-established regional government had been rather flexible with the approval of planning permissions, sometimes it is claimed to local political and financial supporters.

The argument about the best tourism strategy for the island tends to be drawn in extremes, although in truth it is relative. Should Madeira remain an expensive quality market with top-class hotels and supporting facilities for the relative few who can afford them, or should it shift a little or even more downmarket to attract greater tourist numbers to somewhat more modest surroundings? Should the aim be the individual traveller or the charter market, albeit not on a mass scale, since the island's size and infrastructure could not cope with, say, Spanish-type numbers?

Group Pestana, Madeira's and Portugal's largest hotel chain, is inclined to go for greater numbers: the English Blandy family, with extensive hotel, transportation and wine interests, wants to remain unmarketed. Mr Antonio J. da Trindade, himself an hotelier and head of the tourist section of the Madeiran chamber of commerce, is somewhere in-between in the debate, although he is currently developing a new upmarket hotel project with the Blandys and some



A street scene in Funchal, the island's capital and the centre of the tourist industry



other local interests. Mrs Conceicao Almeida Estadante, the recently appointed regional director of tourism, maintains a diplomatic silence on the debate, but she is aware of the issue.

The argument might not be all that important if tourism was a fringe activity, but it is very definitely not. Tourism is responsible for some 20 per cent of Madeira's gross product and gives employment to around one in 10 of the total labour force, and very many more if you add in downstream support and supply services.

The industry peaked in 1991 with almost 400,000 tourist

arrivals, compared with only 120,000 some 20 years earlier, but it has come through hard times in the past two years with tourist numbers down almost 10 per cent last year as the European recession took hold. Visitors from Portugal apart, Britain has traditionally been the largest single market for Madeira, and while numbers were down last year, the

majority of the island's 16,000 hotel beds are situated. But as the island's road network is extended west of Funchal and eventually to the northern coastline, it is hoped to decentralise the industry and spread tourist benefits to the poorer and mainly unspoiled parts of the region, albeit (it is claimed) with a tighter planning regime. The most recent of three

UK still provided one in three of all tourists to the island. Other large national groupings were German, Swedish and French.

Madiera's tourist industry remains centred in Funchal and its immediate surroundings, where the vast

independent studies of the potential for tourist development, taking into account the size of the island, its population and the need for better balanced economic growth, has suggested an optimum number of 20,000 hotel beds with the emphasis on four-star rather than de luxe accommodation.

Environmental considerations apart, there are certainly some limitations to immediate expansion. Larger aircraft and more direct scheduled flights to Funchal must await the further expansion of the runway at Santa Cruz and deregulation of the European airline industry to permit more carriers to land there. The indirect flights via Lisbon are both tedious and time-consuming, and TAP Air Portugal's present virtual monopoly on the Lisbon-Funchal route means that space is often hard to get. (The problem is aggravated for tourists by the fact that native Madeirans get concessionary rates on the Lisbon service, thus taking up a large slice of available tickets.)

Again, while Madeira has a wonderful climate - the average summer weather reading of 22 degrees falls to only 16 during winter months - it has no real beaches, so the big hotels must provide swimming pools and this is inevitably reflected in accommodation costs. The island does have some stunning scenery, exotic gardens, a well-developed internal transport system of buses and relatively inexpensive taxis and marvellous facilities for walking through the mountains and along the Levadas, Madeira's wonderfully constructed 800km of irrigation channels that take water from the mountain tops to the fields and villages below.

But the visitor wanting to experience one of the cleanest environments in all Europe, and to play or simply laze on more than 7km of fine sandy beaches, should visit (by short air trip, or by boat) the small island of Porto Santo to the north of Madeira and part of the same autonomous region. There are few cars for hire, but lots of taxis for sight-seeing, including to the house where Christopher Columbus lived for a while after his marriage to Isobel Moniz, the daughter of the local governor.

But be warned. Accommodation is very limited on Porto Santo so, as all the good guide books say, be sure to book in advance. Most of the smart people you will find there, especially during summer months, are the industrial and commercial elite from Funchal who know a good find, and who tend to keep quiet about it.

Madiera wine may never again attain the level of prestige advertising and customer-driven distribution channels it commanded from the 17th to 19th centuries. Falstaff celebrated Malmsey, the best-known variety, in *Henry IV* - an anachronism as the island had not been discovered at the time at which the Shakespeare play is set.

America's Declaration of Independence was toasted with Madeira wine. The island's growing importance as a port of call in the 18th century led to voyagers such as James Cook and Horatio Nelson taking thousands of gallons on their journeys to south-east Asia and the Americas. By 1780 more than 70 British Madeira wine shippers were based in Funchal.

Today, only seven export houses remain, but the largest in terms of turnover are still dominated by Britons. The cachet of Madeira as a fine drinking wine has been undermined by bulk shipment of more than half the island's production to be used mainly as a cooking ingredient in France and Germany.

Rising production costs have turned Madeira from being the cheapest to the most expensive of the three fortified wines - Madeira, port and sherry - in the past 20 years. And the limited scale of the industry means that shippers cannot support the marketing and distribution costs required to stay ahead in an international drinks market dominated by big multinationals.

But steps are being taken to meet the challenges that an age-old industry faces in an era of mass marketing. The Madeira Wine Institute (IWM),

a state body set up in 1979 to regulate and promote the wine, has set an ambitious target of not only doubling production from 3.2m litres a year but also of substantially increasing the quality of the wine and thus the value-added it produces for the island's economy.

Less than 2,000 hectares of terraced vineyards currently cultivate the four varieties of wine used in making Madeira wine. These produce Malmsey, a sweet, rich dessert wine and the best-selling variety; Bual, fragrant and full-bodied; Verdelho, elegant and golden; and Sercial, light, dry and served chilled as an aperitif.

"The forests and mountains

Peter Wise reports that vineyards once used for making table wine are switching to export varieties with European support

that cover two-thirds of Madeira mean that vineyards cannot be greatly extended," says Mr Alberto Castanho of the IWM. But vineyards used for making the non-marketable table wine that many Madeirans drink at home are being converted to the cultivation of export varieties with the support of European Union funds. And vines used for producing wines for blending into Madeira will be replaced with superior stock.

More cultivation of the better vines will produce more high-quality, higher-priced wine. This will put pressure on some exporters to place greater emphasis on bottled wine than on bulk wine destined for culinary sauces, which is younger, less technically-demanding and cheaper to produce but also much less profitable. It remains to be seen whether the big French and German importers who

sell cheap Madeira under their own cooking-wine labels will also be willing to adapt.

Unlike port and sherry, which are also fortified with grape brandy, Madeira has been unable to benefit from mechanisation. "The terrain is too hideously steep for any machine," says Mr Richard Blandy of the Madeira Wine Company, which accounts for 40 per cent of the quality bottled Madeira wine market, with annual sales of £840m out of £1.5bn for the whole industry. The other cost problem is that most vineyards are minuscule. His company buys grapes from more than 2,000 farmers each harvest.

But exporters are moving to cut costs and enhance quality by improving their own production methods. Henriques and Henriques, a large shipper, will open a new winery in Camara de Lobos, close to the vineyards, later this year. Madeira Wine is investing £650m, of which 60 per cent will be provided by EU grants, in a new winery in the same area. It is due to be ready for the 1996 harvest.

Madiera wine shippers are also developing links with bigger drinks companies to extend their marketing and distribution capacity. Warre, a leading group in the port wine trade, bought a controlling stake in Madeira Wine in 1989. La Martinicaise, a large French importer of bulk Madeira wine, has formed an association with the shipper Justino, apparently to guarantee supplies. Barbeito, another Funchal-based exporter, has established ties with companies in Japan, the biggest importer of bottled Madeira wine after Britain.

Reid's provides oasis of luxury

What have the following in common: Lord Birkenhead, George Bernard Shaw, Sir Winston Churchill, Gregory Peck, Amy Madison (see John's), King Umberto of Italy, Sir Ernest Shackleton and the composer Pedro de Freitas Branco?

The answer is that all, at one time or another, were guests of Reid's Hotel in Madeira.

Even its commercial competitors speak of it with awe. Reid's hotelier: "In Madeira we have five de luxe hotels, and then there is Reid's."

Reid's is not just a hotel; it is a luxurious tourist institution frequented by the world's great and good. It was opened in 1891 by Willy and Alfred Reid, three years after the death of their father, who was one of 12 children born to a

Kilmarnock (Scotland) farmer in 1822. Fourteen years later, the family doctor recommended a warmer climate for the ailing son, William. Now owned by the Blandy family, Reid's is unquestionably one of the world's leading hotels, perched on a rocky cliff point on the outskirts of Funchal and enclosed in an extensive garden which rivals the city's Botanical Gardens where William Reid lived in a quinta (large house).

Reid's today with its 152 luxury bedrooms, 21 suites, poolside restaurants, two dining rooms and adjacent Villa Cliff restaurant (soon to be converted into a high-class Italian trattoria) represents tourist living on a very grand scale. Here everyone still dresses for dinner, and in black tie. Your daily FT, or

indeed any of the world's leading newspapers, doesn't quite come gift-wrapped, but it is hung on your bedroom door in a white linen bag.

Presiding over this expensive oasis is the Swiss-born Kurt Schmid, formerly of the Hotel Le Plaza in Basle, the Drake in New York and the Arthur's Seal in Cape Town. As Reid's general manager since the spring of last year, he gives the impression of appreciating that his hotel's clientele is ageing and that there is a need to go for new business, mainly in Germany and North America. If tourists from there can pay for luxury, Reid's is still one of the world's unique havens. The golf, tennis, swimming and fishing for 250-kilogram marlin are simply an add-on.

Dominick Coyle

Tentacles of a top hotelier

Continued from previous page

the centre of Funchal. With foresight - the Salazar dictatorship still ruled in Portugal - and using some of the early profits from his construction business Mr Pestana acquired a prime site in the city in the mid-1950s.

The timing of his arrival in Madeira could not have been better, coming immediately after the 1974 revolution in Portugal. He explains: "The whole country, including of course Madeira, was in a state of shock after the years of dictatorship. There were few entrepreneurs: no-one at that time had the courage, resources or commercial vision to take the plunge in the new, free Portugal. As someone from outside, I guess I saw things differently."

His father's dream was soon fulfilled with the building of the Madeira Sheraton (since renamed the Madeira Carlton

where Mr Pestana retains his executive offices), and was the foundation for the group's rapidly-expanded hotel chain on the island. His next move was into Portugal itself.

While tourism in all its forms - Mr Pestana is a believer in a totally integrated approach with the company controlling direct sales outlets, providing air transportation and accommodation - remains the sheet-anchor of the group, its tentacles have moved much wider.

In a dominant partnership deal, which is unusual to say the least, Pestana has joined with the regional government to control and operate the Madeira Development Company, and hence ownership (until the year 2017 under existing arrangements) of the industrial zone, the offshore financial centre and the embryo shipping register (MAER). Mr Pestana may be in bed with the local regime, but

he makes no bones about who calls the shots; his 75 per cent stake is what counts.

And, to be fair, that appears to be the way that Mr Alberto Jose Jardim, the president of the regional government, likes it. The International Business Centre was conceived as an operation run for free enterprise businesses by free-enterprise businessmen. The founding philosophy was to keep the bureaucrats at bay and red tape to a minimum, maximise fiscal and other operating concessions and get as much development money as possible out of Brussels (the European Union).

Taming the bureaucrats and getting the necessary enabling legislation through the central government and parliament in Lisbon did, however, take its time - in fact almost the entire decade of the 1980s. But Dionisio Pestana was not idle. When not alternatively praising and threatening the regional and

central governments, he was busy scouting out other similar tax-free facilities, making a special study of the industrial zone at Shannon in Ireland and of the Dublin financial services centre.

Does his considerable hold on the island's economy bring with it social obligations to the wider community? Mr Pestana reflects for a while before saying "No. We're in business for

"All our enterprises are designed to be profitable, but it doesn't always happen that way"

profits, to make money. All our enterprises are designed to be profitable, but it doesn't always happen that way. To that extent, I guess, we often do end up with a social input." As an afterthought, and without clarification, he mentions that he does have a "small foundation".

The collective "we" and "our" in his replies seem to run against the man's very

image, a style and approach suggesting that he rules his business empire like a dictator, a one-man executive board. Again, a brief period of reflection, and then Mr Pestana rattles off the names of his top aides and departmental managers. Most notably, he mentions the widely-respected Mr Francisco Costa, who heads the Madeira Development Company.

But there is a small slip. "Costa is my man on the company. We meet every second Monday for discussions and policy decisions." It is all rather precise, but then Mr Pestana is a precise man, but he is not without wit and a good deal of charm. He prefers living on Madeira rather than in Lisbon because he can get around quicker and avoid the social circle in the Portuguese capital. That, he implies, would be rather a waste of profitable working time.

One thing is for certain: Manuel Pestana, now in retirement, can be proud of his boy.

Dominick Coyle

TAKE A BUSINESS OR HOLIDAY BREAK TO MADEIRA "THE PEARL OF THE ATLANTIC"

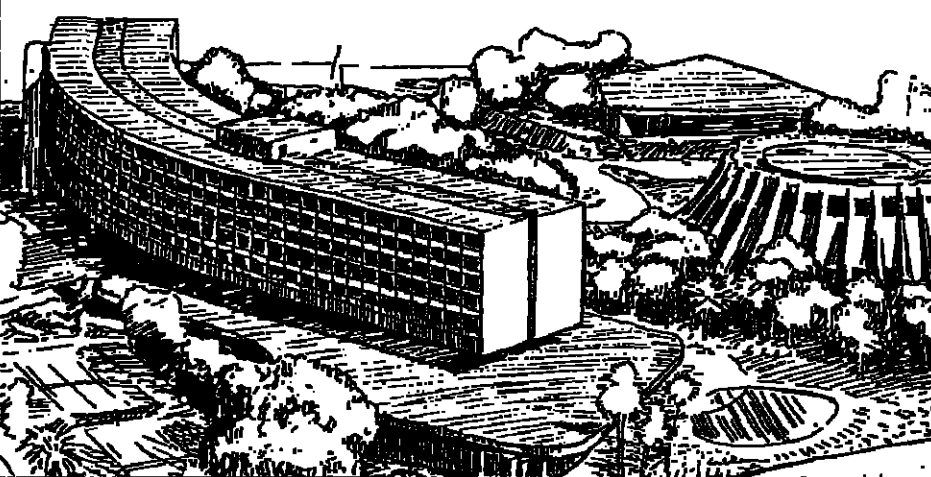
For your Business or Holiday Break the five star CASINO PARK HOTEL is the right choice.

Set in a beautiful sub-tropical garden overlooking the bay of Funchal, the island's capital city, the CASINO PARK is the ideal venue to conduct your business meetings whilst enjoying a taste of the wonderful holiday atmosphere. Amongst its excellent facilities there is a conference centre with capacity for up to 600 delegates.

The main office of Madeira's International Business Centre is located in the same complex making it easy for you to obtain any information you may require.



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MADEIRA



*International
business
centre*

THE IDEAL CLIMATE FOR BUSINESS SUCCESS

Welcome to the European Community's newest International Business Centre, a fast developing free trade zone, an up-and-coming offshore financial centre, a highly efficient international services centre and an international shipping register.

Let us introduce the Autonomous Region of Madeira. We hope that whatever your international business, you will consider Madeira as a base.

Endowed with great natural beauty and much local talent and initiative, Madeira is poised to become one of the European Community's most exciting centres. Strategically placed within easy reach of the major Atlantic shipping routes, Madeira is your stepping stone into Europe and other international destinations.

LIVING IN MADEIRA

The island enjoys a mild mediterranean climate that has helped develop a thriving tourist industry over the last century. Still a major staging post for international cruise liners, Madeira's volcanic origins have produced spectacular contrasts in scenery and vegetation. The island is rightly famous for its wine, fine embroidery, flowers and today boasts a fast growing international shipping centre. Housing is readily available, to rent or purchase, with efficient services. The island also offers international schooling.

COMMUNICATIONS IN MADEIRA

Funchal airport is just 3 hours away from most major European capital cities, and just over 1 hour from Lisbon. The island has a modern digital telecommunications system, with direct dialling anywhere in the world.

Free Trade Zone

All industrial and commercial activities are permitted within the limited area of the free trade zone, subject to the preservation of the natural environment and to the standard rules of public health and national security.

Offshore Financial Centre

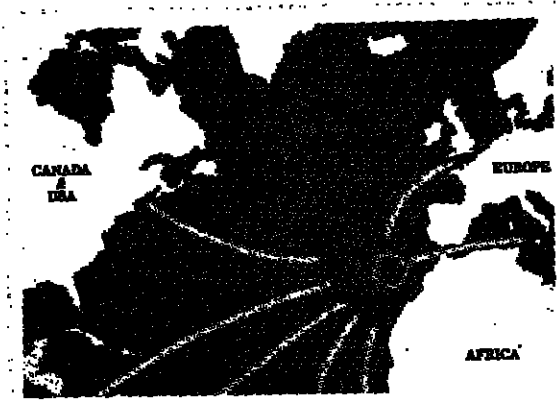
Banks and financial institutions may establish offshore operations anywhere in Madeira. Such institutions may engage in foreign exchange operations free from domestic restrictions. Transactions may be carried out in any currency. Supervision of these activities shall be conducted by the Central Bank of Portugal.

International Services

Madeira welcomes international companies whose business is that of trading, management, invoicing, ship operating, holding and trusts. The granting of a licence to operate lies with the regional authorities.

International Shipping Register

Madeira now boasts an International Shipping Register — MAR. MAR offers the global shipping industry some of the most favourable and competitive conditions available today. All vessels registered will fly the Portuguese flag.



Madeira's International Business Centre is managed and administered by SDM — Madeira Development Company, a private operated company that has the full support of the Autonomous Region of Madeira. The Madeira Development Company is committed to providing international companies, and those who work within them, with the finest standards of any offshore centre in the European Community.

For further information on

- Free Trade zone
- The Offshore Financial Centre
- International Services
- International Shipping Register

please contact



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